Trans-Tasman travel agents form united front

TRAVEL agents from both sides of the Tasman have moved to get more influence with their governments and airlines by setting up a joint council.

The new Tasman Agency and Airline Council will meet on a regular basis to discuss tourism development between the two countries.

Although the initiative for the new council came from the travel agents organisations, airlines and government tourist bodies will be asked to join.

The coundil's objects include "to develop trans-Tasman fares and conditions, to improve customs and entry formalities ...and to generate joint promotions in partnership for tourism to the two countries".

The move is a major one for both countries' travel industries and reflects concern in both countries about the effect new air fare agreements are having on domestic tourist development and the lack of consultation by airlines with the industry over new fare packages.

The council is seen as a way of putting more pressure on the airlines in each country – both international and domestic -- for more heed to be paid to the people who do the bulk of the selling for the airlines.

A council statement said "the interchange of tourism between the two countries should be developed more quickly ...and the council (will) seek discussions with both governments of specific issues, fares and conditions affecting Australia and New Zealand".

While the council will help agents here exert more pressure for consultation, the involvement of the Australian agents represents a silent about face on the aviation policies of the government and Qantas.

In New Zealand agents have now won agreement from the Transport Ministry for more notice of impending fare announcements. Agents are not to be notified in advance of public release of new fare packages.

The agents said they were tired of hearing new fare announcements from the media, particularly on a Friday afternoon.

While prior notification may soothe some ruffled feathers in the industry, it's the thin edge of the wedge as far as the airlines are concerned.

In the past year airlines, particularly Air New Zealand, have been accused of treating the rest of the industry with lofty disdain.

While the complaint is not new, it's been given added point by the multitude of new fare packages announced in recent times.

Also adding to the general upset was the on again-off again attitude of ministry officials to the first fuel related fare surcharge back in April.

Air New Zealand advised agents and the media that a 7 per cent surcharge could be added to tickets, subject to Government approval.

That approval was forthcoming verbally, but as officials saw the full text of the recommendations from the International Air Transport Association meeting in Geneva, the approval was subsequently rendered inoperative.

Later it was restored partially, but with not the same percentage increase applying to all routes.

Both airline and Government got the stick on the issue.

On the whole question of the development of a response to the conflicting aviation policies of Australia and the United States, travel agents have complained that their input has not been sought or properly considered when offered.

Along with the rest of the industry, the agents tried working through the Department of Tourist and Publicity. Asked about his department's role in the development of aviation policy, T and P general manager Michael Roberts said, "we may or may not be asked to comment, and we may or may not wish to do so".

He said the arrangement with the Transport Ministry was an informal one but he agreed that a problem existed. "There is a dichotomy between the development of tourism in New Zealand and the formulation of policy as regards air fares".

In Australia the problem is a similar one, but has been heightened by increasing doubts over the worth of its new international fares regime.

By focusing on low point-to-point air fares from Australia, their tourist industry has been forced to take a 'stand alone' attitude to the development of tourism in the South Pacific area. This particularly applies to increasing tourism from the United States and North America.

It was this attitude which forced the abandonment of a proposed joint Australian promotion in the North American market. In the end New Zealand went it alone (NBR August 1).

Since then, New Zealand has hinted at a new South Pacific alliance with island states to develop tourist flows but excluding Australia. It now seems that at least some elements of the Australian industry want to join in as well.

State-owned firms alter trade rules

by John Harter

THE rapid increase in state-owned companies is changing the rules of the game in international trade, American businessmen have been warned.

Heavily subsidised by governments, such companies can cut prices and sell at a loss, Michael Samuels told the national foreign trade convention.

Samuels, former American ambassador to Sierra Leone and now head of world studies at Georgetown University, said the governments assume the losses and provide investment capital directly or through guaranteed low-interest bank loans.

By the mid-1980's, Samuels said,c ompanies owned or controlled by government will account for nearly 50 per cent of the American chemical industries' competition in export markets for nitro chemicals, fertilisers and plastics, and 55 per cent of the noncommunist world steel production.

State ownership was already evident in telecommunications, electricity, gas, oil production, aluminium, coal, paper, railroad, airlines, textiles, and ship building, he said.

In fact, he noted, the state had an ownership stake in 19 of Europe's 50 largest industrial companies.

Government-owned enterprises account for more than 25 per cent of all investment in Sweden, 50 per cent in Australia and 35 per cent in Italy.

Among the reasons for the "new wave" of government ownership, according to Samuels, have been rescue operations to save employment, stimulation for economic growth, and developing industrial capabilities for high-risk ventures – often involving heavy research and development expenditures — that are shunned by private investors.

Samuels said the growth of third-world multinational corporations also had important implications for American trade policy in the coming decades.

First, he said, "it was the OPEC countries (Organisation of Petroleum Exporting Countries), and now it is the non-oil producing advanced developing countries," including Korea, Taiwan, the Phillipines, Hong Kong, Brazil, India, Singapore and Mexico.

Samuels said corporations headquartered in these countries already were active in petroleum, textiles, ship building, electronics, steel motor vehicles and chemicals.

C. William Verity, jnr, chairman of Armco (Steel Corporation), said the new situations required new policies.

These included revisions of American laws to permit firms to form trading companies, new tax systems, expansion of the American Export-Import Bank, modification of the Foreign Corrupt Practices Act and liberalisation of export licensing procedures.

Former American Treasury Secretary John B. Connally told the convention that the world was seeing "long term structural change which will influence policy choice between now and the year 2000."

Connally proposed that industries investing in capital equipment to increase productivity should be allowed an accelerated depreciation write-off and a special investment credit for reinvesting profits in research and equipment.

The United States should also overhaul its laws pertaining to technology transfer, he said.

US buys Deutsche marks

In a further move to support the dollar, the United States Treasury plans to sell more than $2,000 million worth of the United States Government securities denominated in German marks.

The sale, announced on October 24, is the latest in a series begun last November, when the Treasury and Federal Reserve instituted a major dollar support operation.

Treasury officials said that the United States bonds would be sold in Germany for marks.

The marks will be held in United States reserve stockpiles until the nation feel it needs to intervene in foreign exchange markets.

At that point, the marks are exchanged for dollars, which reduces the supply of dollars overseas and thus boosts the currency's value.

The sale will occur in two issues of up to $2,000 million Deutsche marks each

The first offering will be made early this month and the second is planned for January.

NATIONAL BUSINESS REVIEW

60cents

Volume 9, No 44 (Issue 361) November 19, 1979

Government woos Comalco in bid to expand smelter capacity

THE Government's cry of "come back, Comalco, all is forgiven" seems likely to result in the Tiwai Point aluminium smelter being expanded to its planned maximum capcity of 220,000 tonnes a year even earlier than had been planned initially.

Opened in 1971, the smelter – before the Government's renegotiation of power charges in 1977 – expected to expand to its maximum capacity about 1986, according to electricity predictions.

But the renegotiation – which saw the Government arbitrarily increase the charges to a point where the smelter was not economic for the three smelter participants – resulted in Comalco, the major participant, shelving any plans for its future.

Now, thanks to a South Island electricity surplus of some 2000 gigawatt hours which is expected to increase, the Government has re-approached Comalco to put a case for expansion of the smelter almost immediately.

The surplus was predicted by Comalco officials during the often bitter renegotiations of 1977. But Government officials said they would build a second Cook Strait cable, costing $200 million, and they doubled the surplus would be so large.

The cable plan has now been shelved while the Government tries desperately to sell the surplus power within the South Island at reduced rates.

The Government's approaches to Comalco mean that the smelter could be operating with a third potline at its installed maximum capcity by 1982.

Even Prime Minsiter, Rob Muldoon has conceded that expansion of the smelter would be desirable in the present situation.

And not even Comalco itself is denying that expansion at Tiwai is an attractive thought, providing certain criteria are met.

When the smelter was expanded to its present 155,000 tonnes several years ago, the groundwork for future expansion, costing some $17 million, was prepared. Comalco was not then expectring substantial price hikes.

But if expanded within the next few years, the Australian company would have an important advantage in world markets.

There is a shortfall in supply over demand which is expected to continue until about the mid-1980s, when new smelters — particularly in Australia will be commissioned.

Apart from Comalco's giant 412,000-tonne smelter at Gladstone, several Australian smelters are being planned or constructed.

The Gladstone plant should start initial production about 1983 until it reaches its maximum about 1988 or 1989.

To have an additional 60,000 to 70,000 tonnes for the world markets from about 1982 has attractions for the three participants.

The cost of expanding Tiwai Point would be about $160 million.

One thing Comalco is firm on: it will not pay New Zealand bulk tariff rates.

With higher prices on the world market for metal, the Tiwai Point smelter is now regarded as a break-even proposition, Comalco's chief executive officer Mark Rayner said in Invercargill last week.

But to pay bulk tariff rates, as the Government envisages those developments qualifying for its cheap power scheme should do by 1994, would make the smelter uneconomic. Comalco is not interested in such a proposal.

Power to the smelter is tied to the bulk tariff rate, increasing as the bulk price rises.

Informed sources see the Government and the company agreeing on similar rates as are paid for power on.

Particularly attractive about expanding the smelter is the time on which it could be completed. Ferro-silicon and ferro-nickel works also proposed for the surplus power concession scheme would take as long as five years to get off the ground, by the time all applications for town planning, water rights and so on — and the inevitable objections — had been dealt with.

Town planning matters for the smelter on Tiwai Point have already been dealt with, as have water rights.

It is simply a matter of finding the money and starting work.

But in spite of the attractions, Rayner has made clear that Comalco will not be pushing its way into the expansion.

The Government will have to demonstrate good will.

After the last renegotiations, Comalco felt unwelcome in this country. Now, within a short time, it is being encouraged back

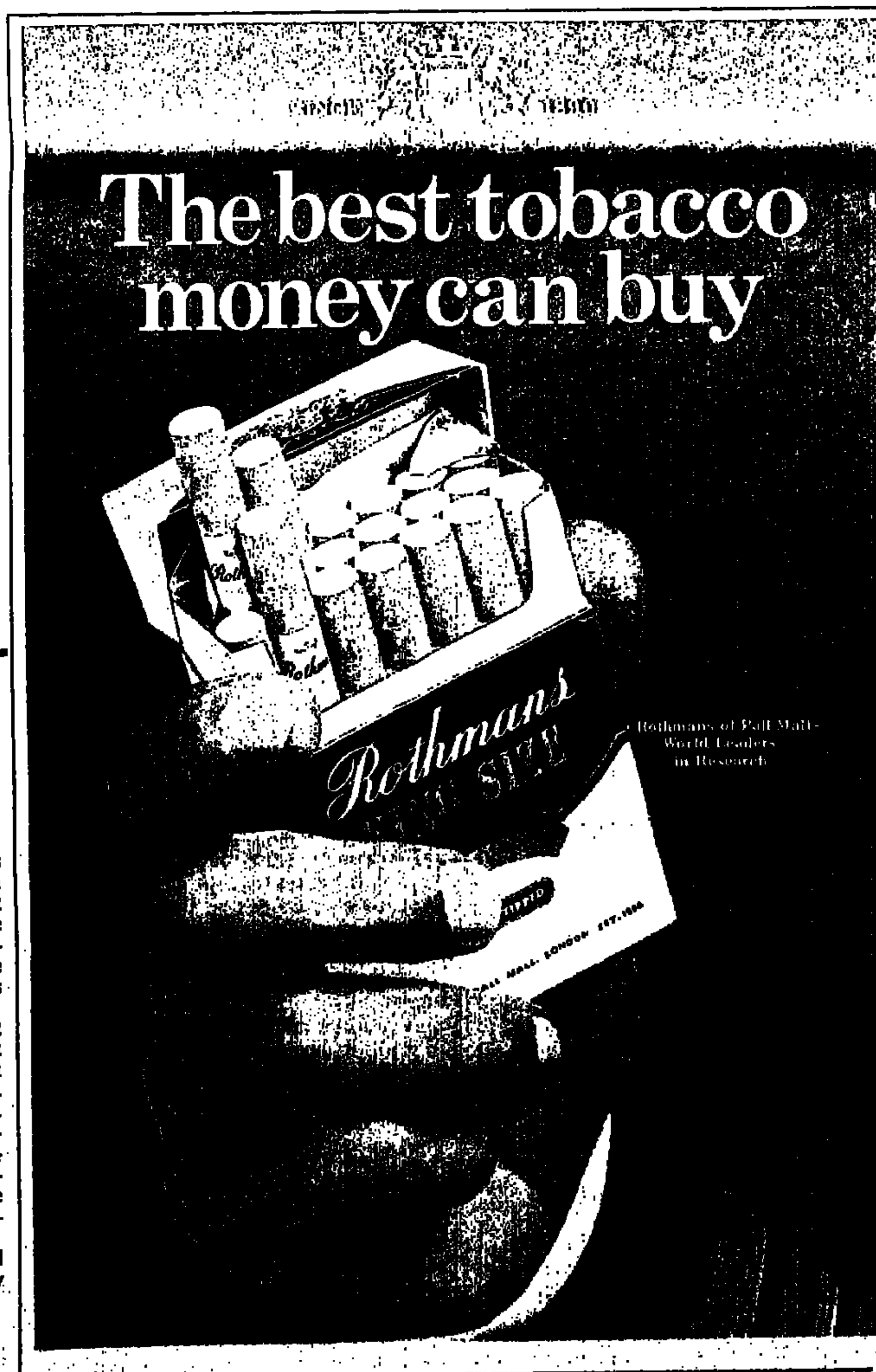
But smelters are long-term investments, Rayner said. Cash demands for loan repayments are heavy for 10 to 15 years and only after that time does a smelter become profitable.

In the back of Comalco's mind is the thought that once finance has been committed, a future government might decide again that smelting industries are not desirable in this country.

Energy Minister Bill Birch recently met Rayner on the Tiwai Point site and there have been other talks in Wellington which have not resulted in any offers from either side.

But with the surplus going to waste, firm moves are expected shortly.

INSIDE



Import licence reforms stymied by hard lobbying

by John Draper

FIERCE lobbying by importers and manufacturers has left the Government's proposed import licence tendering scheme in tatters.

The "bold new experiment" announced in the Budget to test the competitive strengths of some industries has been weakened by the onslaught.

Trade and Industry Minister Lance Adams Schnieder wanted licences for $5 million of goods offered at the first auction – a tiny fraction of the goods imported on licences annually.

The first auction is likely to offer only $2 million.

Speaking in Parliament in the Budget debate, Adams Schnieder said the Government was conscious that the all embracing nature of licensing protection has allowed some industries to emerge with cost structures which bear no relationship to those of their overseas counterparts.

"The main aim is to test the competive strengths of those industries concerned in a gradual way which will ensure that the disruption to those industries is minimised and the pressure on the balance of payments is contained," he said.

"In this way it is expected that the transition to a more open competitive environment can be achieved without disruption."

First to be struck off the list were those industries already conducting "industry studies" — footwear and consumer glassware.

Then the Manufacturers Federation followed through on their familiar protectionist line pointing out that the Government was inviting increased competition at a time when the domestic market was already sluggish.

The hoary old argument that manufacturers could not be expected to export without a strong home base — an argument that has been dismissed by international marketing experts (see NBR September 19) and the more successful exporters among the federation's own members — was also used.

Other lobbyists expressed concern at the inflationary

Continued on page 15.

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

A belfry full of alarm bells — for the deaf?

by Colin James

IT is an interesting comment on our society that a considerable number of Maoris heard of Mat Rata's resignation over the radio long before it became known to pakehas.

The catch was that the resignation news was broadcast in the Maori language.

Both Radio Pacific in south Auckland and the news-in-Maori programme on Radio New Zealand carried the information.

In neither case did the general news service of those radios pick it up until the following day when Rata announced it at a news conference in English.

This little episode has a portentous ring. It is at once symbolic and a warning of the gulf of understanding that is growing between the two main New Zealand races.

Ten years ago there was no means of broadcasting Maori news to Maoris.

Official policy towards the Maoris still centred largely on assimilation - the absorption of Maoris into a pakeha way of life. Positive discrimination in education, housing, farm lending and so on was aimed at giving Maoris equality of opportunity in a pakeha system.

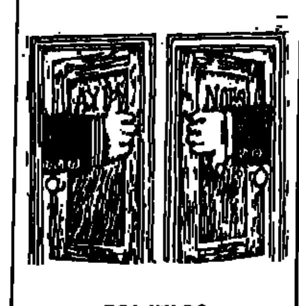
This was a fundamental misunderstanding of Maori ambitions to hold on to their separate identity.

While Maoris lived mainly in the countryside this was largely possible, because they were conveniently out of sight. But as they moved into the cities, the two cultures were brought into closer contact.

It became clearer that we are not one people, but one nation of two different peoples. The response was to increase efforts to upgrade Maoris in pakeha terms.

But during the 1970s urban Maori leaders have been arguing against a one-way movement across the racial divide. A number of trends reasserting Maori identity developed.

One was a restatement of claims to land - the attempts to


POLITICS

reverse the 1967 Maori Land Amendment Act which made easier forced sales of small parcels of multiple-ownership land, the 1975 Maori land march, Te Matakite, the militancy over Bastion Point and the Raglan golf course.

Another was language. In response to demands from both white liberals and second generation urban Maoris who had grown up speaking only English, Maori language courses expanded in number and scope in schools, universities and night classes.

Some provision began to be made for Maori language on radio.

The biggest step was taken this year by Gordon Dryden's Radio Pacific, which began running nightly talkback sessions in five Polynesian languages.

These programmes seem to be tapping a reservoir of racial consciousness.

They also provide a point of cohesion. Producers have found a remarkable response by polynesians to suggestions and advertisements in their own language, even though, in the Maori case, Maori language speakers are a minority.

The potential for concerted activity on a racial basis seems considerable.

Thus, talk of boycotts by Rata is not far-fetched. It may be that the new leadership which backed him in his resignation already has the means of applying selective boycotts that hurt, should they

be contemplated.

A third trend during the 1970s has been a reassertion of tribal identity, at least in the north.

The migration of Maoris into the cities seemed to have undermined the old tribal structure.

Official policy, through the Maori Affairs Department, the Maori Council government advisory structure, the separate parliamentary seats and the 1970s innovation, urban maraes, seemed to compound that.

Maoris were treated as Maoris, not as Ngapuhi or Waikato or Tuhoe, even though different tribes have, in Maori eyes, very different ways of doing things, including, not least, different language dialects.

As numbers of elders dwindled, so their authority appeared to diminish.

But the emergence of a new crop of elders in their thirties, and forties seems to be reinvigorating tribal ties.

One youngish leader points to a number of successful activities, including land claims and urban maraes, which he says owe their success at least partly to a strong core from one tribe.

This apparent resurgence of tribal influence is behind Rata's suggestion that the Maori affairs vote should be disimbursed through a number of tribal councils.

There is no unanimity among Maori leaders on suggestions such as this. One prominent leader, for instance, thinks it would be better to channel existing Maori affairs spending through appropriate general departments.

There are other points of disagreement among Maoris: for instance, between those favouring the King movement, with the idea of a Maori nation, and those opposed to supratribal organisations; or the identification of the appropriate pressure points within the political system to work on.

On means, then, there is fragmentation. But there does seem to have developed general agreement on the need for organisation at all levels to alter the system so that it more responsive to Maori's contribution.

And, at least in my experience, there seems to be little room for disagreement among Maoris with a statement that there is "the need to develop a philosophy which advocates brown pride and solidarity, a 'brown consciousness'," as Bob Mahuta, director of the Centre for Maori Studies and Research, put it at a seminar in July.

"Brown consciousness" means no longer accepting what many Maoris see as the sidelined status assigned to Maori matters by the two main parties.

The existence of the separate Maori seats as an enclave within the Labour Party does not give the new breed of Maori leaders the political leverage they want.

The progressive demotion of Rata - whatever the merits in terms of his personal performance - has been seen as more evidence of declining Maori influence within the party.

Rata himself, I understand, has several times suggested to his electorate he might stand down. When he did, he was, in effect, giving vent to long-held frustrations of many Maori party members, particularly influential electorate executive members like Pat Hohepa of Auckland University, Rata's ministerial adviser.

Normally, independent MP's sink quickly without trace. The party machine sweep them out of sight at the next election.

But, in the early stages at least, Rata appears to have carried with him a considerable number of party members throughout the Northern Maori electorate.

It is conceivable that his resignation has broken, or at least badly shaken, the long allegiance to the Labour Party among Maori voters in the north (an allegiance, incidentally, that has really owed more to Maoris' working class status than to the Ratana Church).

If that is happening there are interesting implications for the two main parties, and for Labour in particular.

If the four Maori MPs were independent of both parties they could wield considerable power in an evenly divided Parliament. If, alternatively, the Maori seats were abolished, Maori cohesiveness could be used to extract policy concessions in Maori marginal general seats as ethnic groups do in American elections.

There are complications. No one knows how Maoris on the general roll vote.

And, though statistical analysis of voting in Maori seats suggests National might gain from a redistribution of the votes in general seats, there are too many imponderables to be certain.

Figures collated at Waikato's University suggest that transfer of Maori voters to the general roll would result in about six new seats, in the North Island, mostly in National-held rural areas though, of course, with effects on urban seats.

To stand still, Labour would then need to gain five additional seats, but the Waikato figures suggest that would be doubtful.

Because of the uncertainty both main parties have preferred to leave the seats as they are, in a convenient pigeon-hole - but one in which Rata has now put a large, black cat.

Cats focus the minds of birds wonderfully. So his resignation has focussed public attention - hitherto fixated on gangs - on the broader aspects of Maori assertiveness.

This mood will not go away. All indications are that it will get stronger, heightening tension between the races as the lesson is learnt that assimilation is no longer possible.

Most attention this year has focussed on the economy. The central issue of this parliamentary session, the Government's Get-rich-quick Bill (the National Development Bill), symbolises a new emerging — and I think justified — confidence in our economic future.

But the principal issues of the 1980s will not be economic. They will be social, and in particular racial.

Rata's resignation is not an isolated gesture. It is one more alarm bell in a belfry full of alarm bells that have been ringing for some time.

Rangatira pushes for chain store merger

THE company behind the McKenzies chain store group has been revealed as the real motive force for the merger with the L D Nathan-Woolworths group.

It was Rangatira Ltd. It owns 52 per cent of McKenzies and made the initial approach to Nathans for a merger after unsuccessful discussions with Woolworths when it was an independent company.

The agent for the merger was H J Radford, a partner in Renouf and Co and a director of Rangitira Ltd.

According to evidence given to the Commerce Commission by another Nathan Director, Lew Ross, Radford approached Nathans "as a potential purchaser of Rangatira's majority shareholding in McKenzies and as part of a complete takeover proposal".

Ross then acted as a go-between. Representatives of Nathans and Rangatira met in Wellington on June 7 and a few days later a second meeting settled the share price to be paid by Nathans.

According to Ross's evidence it was only after that meeting that the full board of McKenzies was told of the negotiations.

The notice of Nathans' intention to make a takeover bid was notified on June 18, after the Nathans board meeting of June 14. In his evidence, Ross says "this was the first occasion the matter came before Nathan's full board".

Since formal notice of the takeover bid was made and accepted, the whole matter has attracted much public comment, both from parties opposing the deal and from the companies involved criticising the delays in getting the matter settled.

The sense of urgency felt by the parties, with the takeover bid legally due to expire on November 30, has reached the Commerce Commission. At one stage in last week's hearing, commission chairman Kevin O'Brien issued a stiff warning that the matter would proceed regardless of the availability of witnesses and agents.

Rangatira counsel Des Dalgety has taken an active part in the hearing, which is due to conclude with closing submissions in the next two days.

His line has been to stress the poor rate of return on shareholders funds achieved by McKenzies in the last five years. (They fell from 11.44 per cent in 1974 to 6.69 per cent in 1979).

From each witness he has extracted agreement that such a rate of return would not be acceptable.

Combined with the alternative of closing the chain and asset stripping McKenzies, union groups have been obliged to agree that the merger is preferable to closure.

Dalgety is thus building up an argument for the commission to sanction the merger on the basis that its the best course all round: best for McKenzies and Rangitira shareholders, because they will be part of a more dynamic company; best for the country because resources will be better utilised; best for the staff because more jobs are preserved, and best for the consumer because competition will be increased.

It was the Retailers' Federation which provided support for the assertion that competition will be increased rather than lessened from the merger.

And union arguments, grounded in economic theory, were unable to shake the practical views of Retailers' Federation president Alan McKechnie, that opposition retailers would be "sharpening their pencils" if the merger was approved.

Oddly, apart from the Examiner of Commercial Practices Alan Monaghan, no one in the opposition camp seems to have put a lot of work into opposing the merger as such.

The bright young union academics, Rob Campbell, Peter Harris, Rod Trott, Alf Kirk and Peter Franks have had their arguments quickly qualified under cross examination.

Questions of public policy on monopolies, mergers and how the commission is to handle them under the rather vague guidelines set out in the Commerce Act have been raised.

Gear Meat assets to be carved up?

SPECULATION is growing within the meat industry that the poorly-performing Gear Meat Company will soon be sold.

Speculation heightened when Brierley director, Selwyn Cushing criticised the company's performance of losses nine years in a row.

Brierley obviously expected an improvement in the company's performance when it bought a large stake in the operation last year.

But profitability has not improved and the Petone works has been suffering further from a crippling industrial dispute which has prevented a start to the killing season.

Cushing was reported as saying "we might be forced to call in the real estate agents as a very last resort".

This is a resort which sources suggest is unlikely to be reached, because moves are already well under way for the purchase and distribution of Gear's assets.

Inquiries indicate that no single freezing company is planning the acquisition of Gear, but rather a group of companies operating in the central North Island are involved.

Cushing's remarks suggests they have, in Gear, an eager seller.

When Brierley took its large shareholding in Gear, financial whizz-kid Paul Collins spent some time with the ailing company in an endeavour to improve its profitability.

But since Collins joined his boss, Bruce Judge, in a move to H W Smith Limited there has been little action on that front.

Using regional interest as the prime indicator of the potential purchasers, two companies appear to be in the vanguard of interested buyers.

They are the Hawkes Bay Farmers Meat Company and Borthwick-CWS.

Borthwicks made a bid for Gear last year and attracted the wrath of the business community, the press and competing meat processors.

Since then the company has been involved in rationalising its processing facilities in the central North Island. The removal of Gear would be most beneficial.

Hawkes Bay Farmers was involved in the blocking of Borthwick's takeover. But the company might elect to join with Borthwicks this time.

The outcome should be clearer by the end of the month.

Gear's results continued to be disappointing "and the reasons are precisely the same as before," Brierley said last week in his company review.

"There are several divisions (in Gear) which are constantly profitable but their contribution is extinguished by the works losses at Petone. The problem is a serious one for which a solution must soon be found". In an interview with the **Dominion** last week, Brierley said Gear Meat presented unpalatable problems because of high wage structures and poor relativities. Energy costs had acted against the Petone works.

Brierley said he regarded Gear as a good safe investment, but the works had made losses for nine years in a row, and problems would have to be sorted out.

EDITORIAL

1984 is just four years away. But Regional Development Minister Warren Cooper is obviously impatient. "Constitutional rights" was a "hackneyed, pompous and fatuous catch-cry of those who wished to portray the Government as repressive and totalitarian," he complained.

Cooper was trying to whip up support for the ill-conceived National Development Bill. Opposition, he declared, came from some sections of the press, the Labour Party, a new breed of town-planning lawyers and consultants, Friends of the Earth, Values supporters and the Federation of Labour. Implicit in his singling out these groups was that the Bill was decried only by leftists and zealots.

But the list of critics includes the Law Society, the Manufacturers Federation, the National Water and Soil Conservation Authority, former Appeal Court president Sir Alexander Turner, the Association of Scientists, the Planning Council, at least one National Party backbencher . . .

Among written submissions put to the Lands and Agriculture Committee which is considering the bill came criticism from the Southland County Council (anxious about lignite reserves) and two Taranaki local bodies (concerned about the local effects of Maui Development). And Municipal Association submissions — if implemented — would radically change the Bill.

Cooper wondered if we were to keep Maui gas in a pipe while "our constitutional lawyers, professional advocates for the protest groups and those who have clambered on board the democratic process bandwagon enjoy the luxury of idealism." Everybody who has appeared before the committee has been critical of the Bill in some respect, and most submissions mention the constitutional aspect. They urge the right of recourse to the courts, thus endorsing the notion that there must be constraints on the executive.

Everybody supports the principle that planning procedures should be streamlined — even the Environmental Defence Society. None will accept that the Minister and his advisers are wiser than the collective wisdom of society.

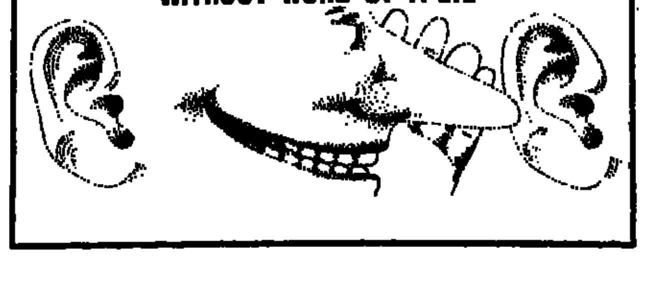
Indeed, the fallibility of the executive is illustrated in the submissions of the Law Society, which is among those who argue that appropriate amendments to the Town and Country Planning Act and the Water and Soil Conservation Act would achieve the Government's declared objective, development of energy projects. Some five years' work went into the Town and Country Planning Act; then it was rushed through Parliament in 1977. The Law Society was not given time to complete its submissions; other interested groups weren't heard at all.

During the Vietnam war, Ralph Hanan said protesters were like fleas on a dog; you have got to put up with them, and they itch. This time they must be hurting. But nothing can hide the fact that the Bill was hastily drafted and neglected the broader aspects of democratic planning. Further, the Bill is a typical example of an executive that wants to do X (hasten energy developments) but which takes the power to do everything from A to Z in case it might want to do C. This catch-all thrust inevitably invited condemnation.

The Government is caught in an awkward situation: it can either proceed by throwing in a few sops such as judicial review, but perhaps incurring the combined wrath of all who made submissions. Or it can make major concessions, and undermine the rationale at the heart of the Bill.

Meanwhile, Cooper might reflect that while there is a case for energy development to be hastened because of our vulnerability to overseas events, at issue is something much more fundamental — and the public won't sacrifice a democratic heritage for expediency. Cooper says we can't afford idealism. We say we can't afford to lose sight of it. — Bob Edlin

WITHOUT WORD OF A LIE



MINING shares have always been highly speculative. When you win, you win big; but you can lose plenty too.

Take the poor fellow who sold his 30,000 shares in Project Mining. Just a few days later, the company — part of a joint venture in the Surat Basin in Queensland — struck oil.

The shares — sold for just 23c — leapt to 46c immediately.

"Heaven knows what they will climb to", our gloomy friend confided, though somewhat philosophically.

●

IT'S widely known that the Samaritans organisation extends a helping hand and a sympathetic ear to thousands of people in distress every year.

It even spreads the word through discreet advertising. If the Samaritans find that appeals for assistance are beginning to drop off, they have only advertising to blame.

An ad in a recent Sunday paper ran the headline, "Lonely? Desperate? Suicidal? Then followed: "Your life is worth more than a 10 cent postage stamp. Write now to the Samaritans."

We regret to inform the Samaritans that the cost of a plea for help has officially been increased by 40 percent.

●

BOTTLE-TOP competitions to encourage beer consumption have been attacked by a Dunedin pathologist.

He says he is concerned that they encourage alcohol abuse.

But the breweries contend the competitions merely alter their market shares.

Lion's Des Fitzgerald says, last year's promotion resulted in a rise in his company's sales of 3 per cent during a period of falling consumption.

MAYBE the PM hasn't shaken off the jet-lag from his latest jaunt, or something. But he is showing definite signs of weakness in the memory department.

He explained last week that he writes in **Truth** "because it is the only opportunity that I have to present my views free from distortion by journalists or mangling by sub-editors".

Only opportunity? In fact, that show of pique with the news media is something of a mis-statement of the truth, to put it kindly.

For example, when he wanted to tell the nation directly and unedited about his new policy on general wage orders, he merely put his request to the BCNZ and - bless them - they agreed, after a bit of huffing and puffing. Now who else could possibly manage that, Rob?

And don't forget those offers from **National Business Review** to have your say in our columns (although, granted, we didn't offer to pay you for your contributions).

For example, we advised the PM that we would like to run a 2000-word interview in question-and-answer format on his broad approach to economic policy formation and the political factors involved. And we were gracious enough to indicate a willingness not to discuss upcoming Budget details.

We assured Rob that we "planned to present the interview with as little editing as possible, and without analysis or editorial comment within the article".

But Rob complained he had no confidence that any interview he might give to our paper would be used other than as a target for further sniping, and said he preferred to rely on less biassed journals. Perhaps he meant more fawning.

Similarly, we sought a straight question-and-answer session on energy for our special energy issue. Again, he declined.

Then we offered him space in our pages to explain the justification for the fiscal regulator. Again, no dice.

He did write about the fiscal regulator - and not in his beloved **Truth**, either. He contacted the editor of the **New Zealand Herald** to request space for setting out his views - and the **Herald** obliged.

Only last week, the PM had it all his own way when the member for Grimsby and former broadcasting journalist Austin Mitchell interviewed him about government and government administration. Only if it was run unedited, Rob retorted. Okay with us, said Radio New Zealand. And so listeners were treated to an extended session of Checkpoint, warts and all.

So come off it Rob. You're obviously getting close to the **Truth** - but we think that, if you really tried, you could get just that much closer.

●

MP's will get a meaty bone to chew, during the Christmas recess — of the bill to delicence the freezing industry.

Parliament will give the Meat Industry Amendment Bill its first reading before the session ends, fulfilling Government promises given to Federated Farmers.

The bill essentially will be the same as that drafted by the Federation in the submissions to Government earlier this year.

Exactly how the freezing companies will react is not certain. The companies, through their association, made extensive representations to Government during the year which so far seemed to have been passed over in favour of the farmers' case.

Not all companies are opposed to delicencing. Some, like Dawn at Hawkes Bay, and Hellabys are in favour. Others are strongly against.

Overall, the association is adopting the line that is not against delicencing providing a lengthy transition period is granted.

A surprise submission is not ruled out. One rumour going around the capital is that the freezing companies representatives will be accompanied by a number of Iranian slaughtermen for a demonstration of halal killing¢.

●

THE Environmental Defence Society that gave Barry Brill and Co. a hammering on the National Development Bill is up against a more formidable enemy than the politicians — lack of finance.

The EDS has only $1300 left in the kitty. And it received only $3500 of the $15,000 asked from the Environmental Council.

The EDS is now looking for buinessmen backers with an environmental conscience.

Kerry Taylor, EDS' secretary, brought the state of the group's finances up at the hearing on the National Development Bill — but apparently was given short shift by the MPs.

The EDS submission on the Bill spoke of political tokenism towards environmental groups such as its own.

According to Taylor, the value of such groups is not acknowledged by the politicians.

"We saved the country $1 billion when we pointed out the gross over-estimates in power planning projections Had we not done this New Zealand would have gone ahead with the billion-dollar thermal power Station Number One which would have been mothballed like Marsden B," he said.

The EDS is funded by subscription.

Taylor, the only fulltime employee, gets about $7500 a year.

Some of the lawyers and planners contribute their services to the EDS free.

But there are expenses involved in running an office, putting out newsletters and travelling to and from environmental danger points.

●

OUR thanks to the Prime Minister for the following observation during an address to the Country Club at Ohariu Valley: "The Ministry of Works has been pottering around Vogel House since October of last year renovating rooms and redesigning the downstairs kitchen which we use for official entertainment occasions.

"They moved out after 12 months. I sent a message of congratulations to the Minister of Works telling him that the 400-bed hotel, in which the *IMF* delegates were the first guests, had been built from start to finish, in just 11 months."

BROCKIE'S VIEW

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Private enterprise lobby increases BP stake

by John Draper

SHARES in the giant British Petroleum Company, ordered sold b y Margaret Thatcher's private enterprise Government, were eagerly snapped up by investors.

Application lists for the 80 million $7.62 shares closed within a minute of opening, heavily oversubscribed.

Only five per cent of the company was put up for sale, reducing the Government's shareholding to 46 per cent.

The British public's enthusiasm for BP shares will encourage the Conservative Government to put its divestment programme into full flight.

British Airways is the next public corporation to be sold off, at least in part, with British Aerospace under consideration.

The dilution of the British Government BP holding is unlikely to have any effect on the oil company's New Zealand operations.

The company claims to operate free of British Government control. Under its articles, the Government has the power to appoint two directors, which it does, either of whom may veto any resolution of the BP board or a committee.

"The Government has never, since such a right was conferred, intervened in the commercial administration of the company as a commercial concern and the right to veto a resolution has never been used," the prospectus claims.

As part of the world-wide group, BP New Zealand is minute.

BP New Zealand Holdings Ltd net turnover is approximately 0.8 per cent of the group total and contributes less than half of one per cent to profits.

The sale, which netted the British Exchequer $605 million, may encourage the private enterprise lobby in New Zealand to cast its eye over a list of possible candidates for transfer from the public sector.

The Government has already said it will want private sector capital involved in the development of Maui gas. Exactly how is yet to be made clear though several large corporations have already been approached or declared an interest.

Detailed company structures for the development will be thrashed out in negotiations after the Government has decided which projects it wants to develop.

The public could be offered a direct shareholding in a new consortium or a stake through Petrocorp, the state-owned oil and gas corporation.

Petrocorp was being tipped earlier this year as the first public corporation the Government might sell off, at least in part.

Air New Zealand might be second on the list if the private enterprise faction gains greater influence.

The airline faces a heavy capital programme throughout the 1980, though small compared with the investment needed to develop Maui.

At least $200 million will be needed by the mid 1980s to buy three Boeing 747 jumbo jets or the McDonnell Douglas stretched version of the DC10.

In the past, the Government has acted as the guarantor to overseas lenders who have financed the airline's expansion. Outstanding loans for the purchase of the existing fleet already exceed the company's paid up share capital plus reserves.

Eight million $2 shares remain unissued after the merger with the National Airways Corporation.

The Government could follow the ANZ Bank's lead and offer a proportion of the shares in the Bank of New Zealand to the public.

The Australian-based ANZ announced recently that a seperate New Zealand subsidary was being established and the public would be offered a 25 per cent stake.

Among the other state-owned corporations that might attract the private investor, is the Tourist Hotel Corporation whose plans to develop hotels in Auckland have been vetoed by the Government as an infringement on the private enterprise domain.

Others, such as the Shipping Corporation, are unlikely to offer an attractive investment, at least in the short term, unless sold at a discount price.

The British Government's selling of public corporations is double edged.

With one blow the Government claims to be reducing the amount of state involvement in the economy, while reducing its need to borrow to finance current expenditure.

Mobil process wins strategic decision

by Rae Mazengarb

THE Government's choice of the Mobil process as New Zealand's best option for synthetic fuel production from Maui gas is to be regarded as "a strategic decision", Energy Minister Bill Birch said last week.

The decision endorses a recommendation contained in the second report of the Liquid Fuels Trust Board, delivered to Government on October 31.

Birch said the decision would enable negotiations to begin immediately on the formulation of "satisfactory commercial arrangements for the designing, construction and operation of a synthetic fuel plant which integrates methanol production with the Mobil process".

If negotiations proceeded satisfactorily, the project would be commissioned no later than the end of 1985.

"Coupled with the decision to allocate from 50 to 60 petajoules per year of Maui gas to the synthetic fuel project, this means that New Zealand will benefit by the availability of at least 530,000 tonnes of motor gasoline a year from this source, once it comes on stream", Birch said.

Liquid Fuels Trust Board studies had indicated the Mobil process was the most economic synthetic fuel choice.

And Mobil — an international company with considerable expertise — had submitted a firm commercial proposal to Government.

Government would be looking to Petrocorp to assist in the implementation of the decision, said Birch, adding it would "not preclude further downstream of petrochemicals in due course".

Selection of Mobil as the most appropriate synthetic fuel process resolved one of two key issues left outstanding after the board's first report on August 31.

Birch pointed out the other main issue was the integration of synthetic fuel production with the planned expansion of the Marsden Point refinery.

The Mobil process is purely a gasoline producing plant. New Zealand required adequate supplies of diesel fuel.

The potential imbalance in fuel supply would need to be avoided by appropriate design of the refinery expansion to take account of the quantity of synthetic gas to be produced and the extent to which gasoline consumption will be affected by the availability of other fuels.

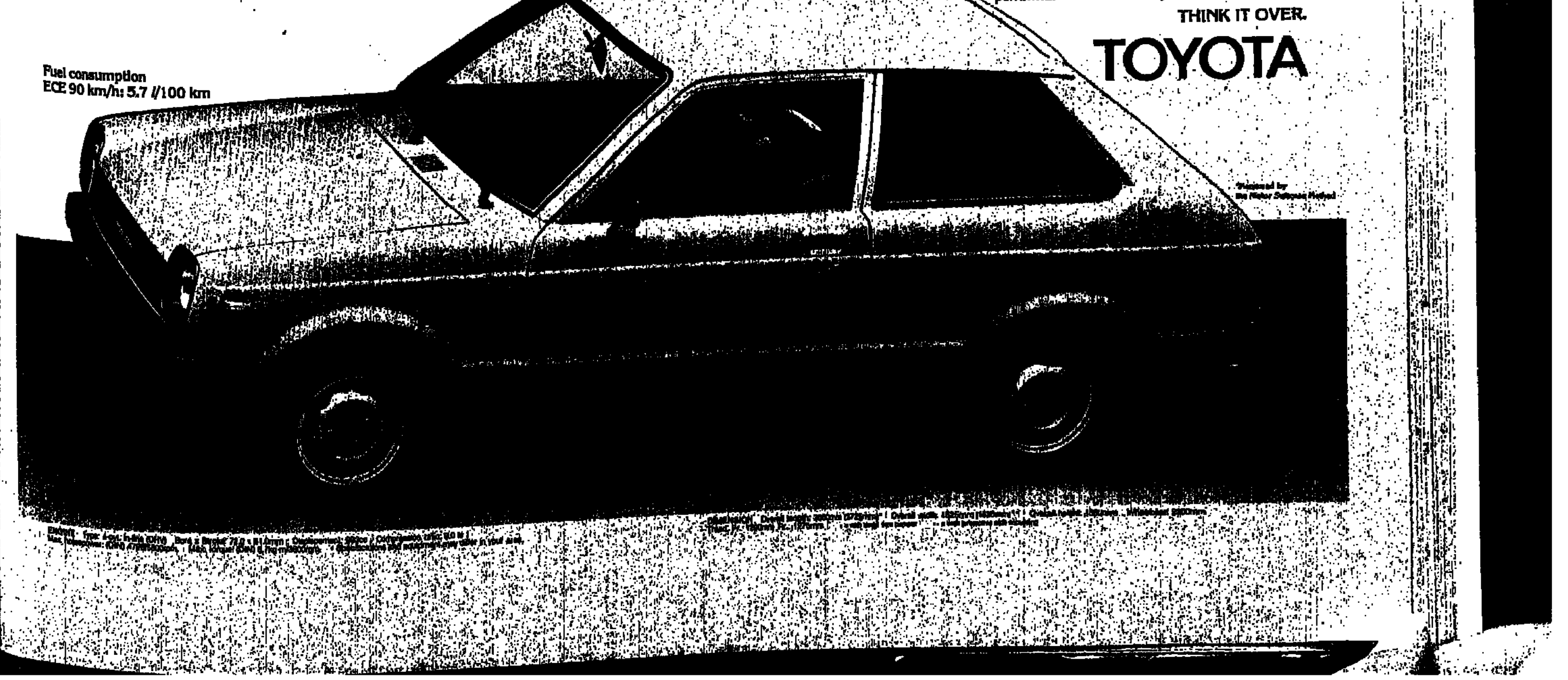
Further consultations on the technical aspects of the refinery have still to take place. But the Government has expressed a strong preference for the expanded refinery to have, as its basic conversion unit, a hydrocracker, to ensure greatest flexibility.

Birch said an exercise expected to take two years had been achieved by the Liquid Fuels Trust Board in just 12 months.

But further work remained.

Birch had called for a report from Planning Council head Sir Frank Holmes on the demands likely to be placed on New Zealand's resources by major development projects being considered for the early 1980s.

The Government is looking now to the board to assist in further such studies.



Election cycle pushes economy to recession

Economics Correspondent

A WORLD-WIDE recession is imminent. The American economy is faltering. The oil states are adding to economic instability by causing confusion over energy prices and supply.

And this instability in turn is breeding insularity. Many countries will find their external deficits growing as trading options start to dry up.

Normally, New Zealand recessions come later than those experienced by other developed countries. It takes a few months or even a year for the effects of declining commodity prices to be reflected in the balance of payments deficit and to restrain domestic economic activity.

But because of the timing of the economic election cycle, the recession may come early to New Zealand. Short-term political forces pushed the economy into a precarious high early this year.

Attempts to reduce the Government's budget deficit and to stabilise the economy at a more sustainable level may bring things crashing fown around us.

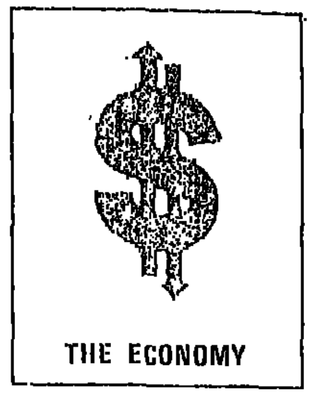
Politicians rely on a popularised view of the economy in taking economic decisions. As most of the public's education about how an economy works is informed by political debate, analysis of a Government's ability to control an economy is conventionally made in terms of this popularised view of things.

For example, a popular view is that it is a sign of good economic management if a government is able to balance its budget. So governments do try to balance their budgets, but not during election years as chart A illustrates.

During election years, attempts to win votes by putting more money in pockets through reduced taxation and higher spending results in massive increases in the Government's budget deficit.

But the public is not entirely taken in by this performance. The National Government won the 1972 election, despite deficit spending of $207 million. And the Labour Government was unseated in the 1975 election, even though the deficit for the March year was the highest proportion of GNP ever.

In 1972, "election bribes"



were not enough to squelch worries about growing inflation and unemployment. The high deficit in 1975 enabled the National Party to capitalise on the idea that the Labour Government had been profligate and could not manage the economy.

After accusing the Labour Government of profligacy, the National Government put a lot of energy into reducing the budget deficit the year it was returned to office.

The economy was plunged into its longest post-war recession in 1976/77, partly as a result of Government measures which brought the deficit from $1002 million to $506 million in one year.

Fixation with reducing the budget deficit blinded the National Government to growing unemployment and rapid declines in economic growth. The economy slowed down so much, that more than usual cunning was required if the Government was to generate an upturn in the economic cycle in time for the 1978 election.

At first the Government was reluctant to commit itself to increased spending. After all, the National Party was supposed to be the party of free enterprise and less government. But a pump-priming mini-budget in October 1977 did very little to rouse the sluggish economy.

So, in its 1978 Budget, a worried Government increased its rate of spending and reduced taxes. As a result, the deficit for March year 1979 reached the record level of $1446 million and the National Government was returned by a nose.

The injection to economic activity caused by the Government's budget transactions, including the effects of its monetary policy, helped generate a small boom in the early part of this year. Output increased, manufactured exports grew and retail trade turnover improved. Unemployment stabilised at around 50,000. And the stock market continues to strengthen.

This Christmas could be the best in years for retailers, hoteliers and consumers. It is not only the sunshine that is putting a bounce in people's walk, confidence in the sharemarket and a wide range of exciting goods in the stores.

Despite recent tightening of monetary policy, there is still money in pockets. Wages and salary increases have helped.

But if the Government continues to follow the path it says it is following, Christmas ham dinners may be the feast before the famine. This year's holiday could turn out to be the lull before the storm.

When releasing the public accounts for September, the Prime Minister proudly noted that the rate of Government spending was slowing. As chart B records, the annual rate of spending this September was around 14 percent, a substantial reduction on the rate of nearly 25 percent recorded during the September quarter in election year.

If the main concern is for the Government to reduce its budget deficit and for public spending to become a smaller share of national output, then the Prime Minister's pride is justified.

But, with the balance of payments deficit increasing, a reduction in Government spending is hardly called for at this time. When the full impact of the overseas deficit and restrictive monetary policy hit, the private sector sometime early next year, economic growth is likely to decline substantially.

Despite reducing its own expenditure, the Government's share of national output may increase as the private sector's share declines.

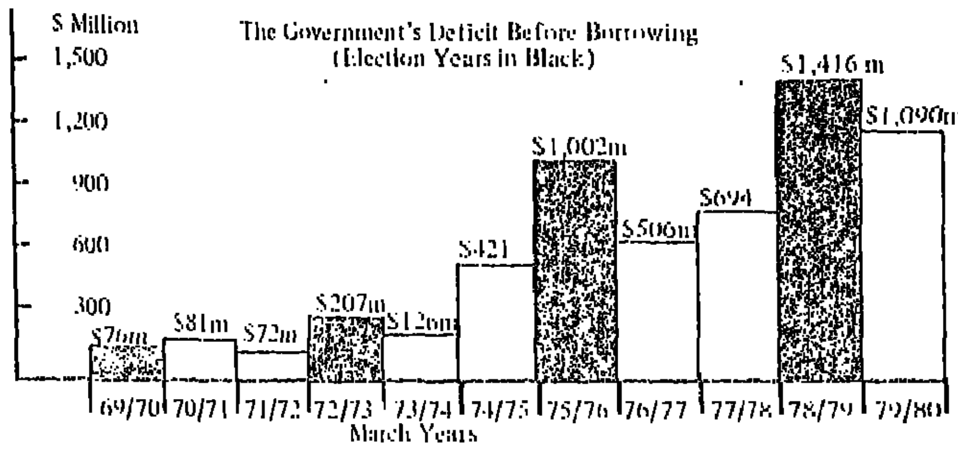
Experience since 1975 has taught the Government something. At least no attempt was made to reduce the rate of public spending to below six per cent as it did in September year 1976. The reduction during this election cycle will apparently be more gradual.

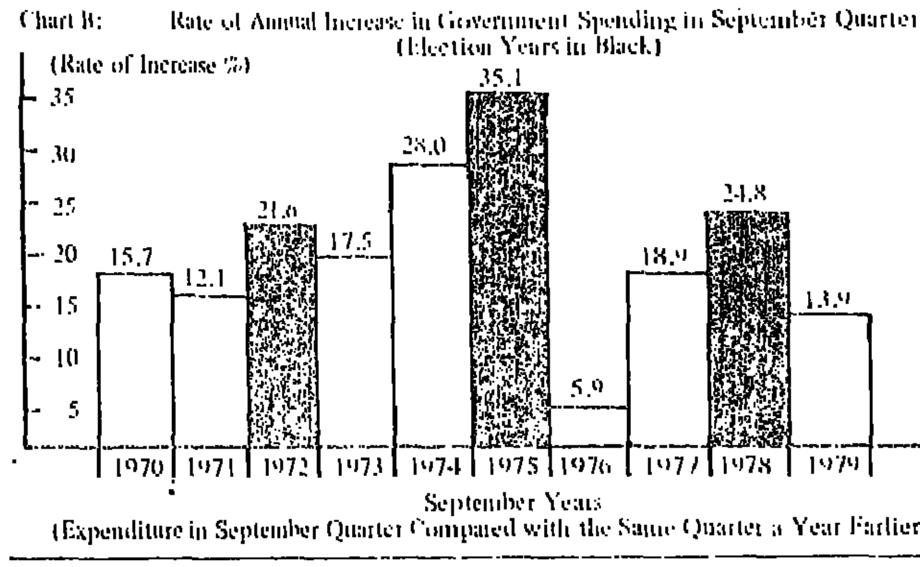
Government could act to better support the economy by throwing its election cycle out the door.

Instead of aiming to reduce its deficit during non-election years, it could offset the withdrawal effects of the increasing balance of payments deficit next year by increasing its deficit.

A reduction in taxes might also have the effect of smaller demands for wage increases by trade unionists.

It may be no bad thing for the Government to eventually reduce its size. This will be easier once the economy is on a sound footing. The first step for putting the economy right is for the Government to respond to economic forces rather than political ones.





High technology Kiwi ingenuity earns a hearing

by Warren Berryman

A TEAM of small businessmen with big ideas seems to have changed Singaporean attitudes about New Zealanders being slow off the mark.

The entrepreneurial innovators have just taken part in Singapore Fair 1979 turning the opportunity into a showpiece of Kiwi ingenuity with their high-technology exhibits.

Most have been struggling for finance to research and develop ideas and win their acceptance. None are listed on the stock exchange.

They offer intellectual - rather than monetary - capital.

"Most of the companies that went to Singapore have been told at some time by their financial advisors to close down. They have also been told they are hopeless businessmen," said Owen McShane, of the DFC.

"New Zealand is lucky these guys are all crazy."

"The sad thing was the difference in attitude between New Zealand and Singapore," McShane said. "There was confidence up there. They took a positive approach.

"We've been trying to commercialise this sort of technology without luck in New Zealand for years. I'm becoming convinced that the only way to develop on high technology is to take it offshore.

"The big company boards here say they are looking for new products, but they are always finding reasons for not doing the new thing.

"They seem to be looking for risk free innovations to make a lot of money and these don't exist. Singapore is willing to take risks."

The companies exhibited under the auspices of the DFC's Applied Technology Division and Singapore's SETSCO (a quasi Government department equivalent to a commercial division of our DSIR) are listed in the stock exchange.

The invitation to the fair came from Lee Lum Tatt, director of the Singapore Institute of Standards and Industrial Research (SISIR) and co-ordinator of SINTESD.

SINTESD is an inter-

SINGAPORE FAIR . . . DFC considers opening branch

Governmental agreement between New Zealand and Singapore, part of which is a shared technology agreement between our DSIR and Singapore's SISIR.

Lee Kum Tatt is said to have become disullusioned with the tedium of dealing with New Zealand bureaucracy and big business.

Singapore traders similarly were disillusioned with our import licensing system which was killing the reciprocal trade they desired.

But SETSCO some months back had formed an alliance with Auckland-based Sorrenson Drilling and Tapping. SETSCO acts as Sorrenson's Singapore agent.

This connection helped enthuse the Singaporeans about the value to them of this country's high technology.

Originally the New Zealand contingent was to share SISIR's stand at the fair with SETSCO-Sorrenson.

But McShane, the DFC's Applied Technology Programme director, decided the opportunity was ideal to show off Kiwi ingenuity.

The DFC rounded up nine exhibitors, some with demonstration material ready after the Wellington trade fair, and set up its own stand.

McShane and the team he led, changed Singaporeans' attitudes about New Zealanders being slow.

The only friction was caused by the New Zealanders being too hungry for a deal to go through all the accepted protocal.

The exhibitors were Data Medical of Wellington (infant incubator); Electronic Innovations, (electronic taximeter); Kenscott Industries (stairway system); Klasse Kompressors (rotary air compressor); Mantis Industries (resin injected dustbins and filament winding technology); Disabilities Resources Centre (self propelling wheelchairs); Solid State Equipment (data logger, earthquake trigger, software services); Vega Industries (sector navigation light); and Videosonic Productions (audio visual replay and production equipment)

Extramural accountancy moves into Massey

by Glenys Hopkinson

MASSEY University's business studies faculty for the first time will launch a full accounting degree programme extramurally, next year.

This move, to expand its extramural offerings beyond second-year level to third or final year courses, will allow students and business people to complete a full accounting degree through off-campus study.

Faculty dean Professor George Hines says Massey has the largest number of accounting students — 600 at first year level — of any university in New Zealand.

He says the new extramural degree will open up the opportunity for full degree study to people outside the main centres.

A full accounting degree by correspondence is done in other parts of the world, he said.

One effect of the new programme would be to enable those who have started a degree, and dropped out, to complete the course. It would also offer a solution for those who have come within striking range to complete a degree.

Hines says it will improve the standard of accounting in New Zealand, because it will enable more people in accounting to finish their degrees.

Innovaters hold competitive edge

by Warren Berryman

SORRENSONS Drilling and Tapping, of Auckland, has had financial problems during its research and development stage.

Now the company is expanding its production facilities to keep up with increased sales.

Rob Vaasen, of Sorrensons, rates New Zealand's chances in Singapore highly. "Where the demand is small scale as it is in Singapore, New Zealand can compete because the big multi-nationals are not interested", he said.

Vaasen has already sold some of his New Zealand-made equipment in Singapore. In the long run the drilling and tapping machines will probably be made in Singapore under licence by SETSCO.

Vaasen has been offered a consultant's job by SETSCO in Singapore that he would probably accept.

Singapore was short of mid-level management people, Vaasen said. SETSCO want to bring in more technology from New Zealand, but they don't want to deal with bureaucrats, he said.

Being a technical person in a country where the technical level of management is thin on the ground, and acting under the auspices of SETSCO, a Government department with some clout, helped him sell to Singapore industry as he was accepted as an expert, Vaasen said.

According to Vaasen and other exhibitors, the Singaporeans are geared to sell consumer goods - not technology - which gives the New Zealander an edge.

Eric Stenner, managing director of Klasse Kompressors, arrived in Hong Kong some weeks back to find his demonstration compressor had been damaged in shipment. Apparently the Hong Kong businessmen were greatly impressed to see the managing director roll up his sleeves and fix his own machine.

This incident, perhaps typifies what New Zealand has to offer South East Asia-technology grown up in a small scale climate like their own together with managers with technical practical ability.

Stenner has been 10 years developing his rotary compressor. His first company, Stenner Rotex, crashed with its financial backer, Securitibank.

The Singapore fair brought a proposal for a joint venture with Tamasek a Singapore Government-owned manufacturing unit. If this deal goes ahead, and Stenner is hopeful, the compressors would be manufactured in Singapore for the Asean market with Klasse keeping the Australian market for itself.

Klasse Kompressors has a bigger deal in the pipeline. Ryoden Corporation of Hong Kong, a subsidiary of Mitsubishi approached Klasse about a licence to manufacture its compressors.

If the deal comes to fruition it could mean instant access to a world market with Mitsubishi using its huge marketing network for distribution.

Klasse exhibited at the Singapore fair alongside Sanyo which was launching its own rotary compressor to be used in room sized air conditioners.

Mitsubishi is also in the air conditioner business, and a licence arrangement with Klasse could give Mitsubishi a cheap means of buying technology to compete with Sanyo.

Star of the show at the fair was Electronic Innovations' multi tariff taxi meter.

Electronic Innovations had captured 40 percent of the New Zealand market in less than four years with a taxi

INTELLECT INTENSIVE . . . Makes marketplace progress

meter preceeding this new model.

The new meter, the Novax 80, can be adjusted to different tariffs, eg day and night rates. It will also calculate the different fares owed where several people share a cab and get off a different points.

This overcame passenger reluctance to share a cab, said Brian North, the company's managing director. The energy saving possibilties through cab sharing was the taximeter's draw card as far as the Singaporeans were concerned.

North said his board was considering several proposals coming from the Singapore fair.

"Singapore", he said, "is full of high risk capital. It's not like here where you have to get down on your knees".

Mantis Industries picked up a trial order for a container load of its plastics dustbins. This company is also looking at the possibility of supplying Singapore with fibreglass water tanks and street lighting poles.

Mantis has a filament winding process which has interested a Singapore financier and a joint venture might emerge around this technology.

Solid State Equipment is working on a joint venture with a Singapore company to manufacture its emphasis lighting systems.

Videosonics is working on a deal to supply Singapore with audio visual equipment to be used in that country's educational programmes.

SISIR now has a staff in New Zealand studying Videosonic's systems.

Earl McNamara, Videosonic's sales manager, said New Zealand could compete in audio visual hardware and software in the Singapore market.

Disabilities Resoure Centre received many inquiries to buy its wheelchair as well as an interest in a joint venture to manufacture it in Singapore.

DFC lines up Singapore as Asean showcase

THE DFC's Owen McShane returned from the fair believing that Singapore could be this country's showplace for sales to the Asean region.

New Zealand enjoyed a high profile in the area unlike other parts of the world where we are scarcely known, he said.

It is understood that SISIR director Lee Kum Tatt would like to see the DFC open an office in Singapore, possibly at the Export-Import Corporation's Trade Centre there.

But before then, there probably will be in-fighting among Government departments to decide the top dog under the SINTESD agreement.

The cost of running an office in Singapore could come to $100,000 a year.

The major fly in the ointment irritating New Zealand-Singapore trade relations is our import licensing system.

Singapore has a free trade economy. It wants reciprocal trade.

The Singaporeans apparently are still smarting from the knock-back they got from Trade and Industry over the importation of a sample shipment of gold-plated flowers.

The flowers were coming from the first joint venture agreement under SINTESD between SETSCO and Wellington-based Tatra Industries (NBR October 10, 1979).

Singapore wants to develop a technology-based infrastructure.

The multi-nationals have come in with integrated production units and do not need to rely on a local infrastructure.

McShane says this gives New Zealand an advantage. Technology produced in the large economies is geared to a scale and infrastructure not available in Singapore.

And using Singapore as an offshore manufacturing base has its advantages. As a developing country, Singapore's goods enter the United States and Australia duty free while manufacturers from New Zealand attract duties up to 20 percent in those markets.

Insurance firm jumps on money-go-round system

by Belinda Gillespie

THE National Mutual Life Association is the first New Zealand insurance company to jump on the building society money-go-round.

National Mutual Life registered its new permanent building society on September 18 in a bid to attract a share of the burgeoning membership which the permanents are enjoying.

But National Mutual is keeping quiet about its latest venture. Under the Building Society Act 1965, a society cannot be advertised until permission is received from the Registrar of Building Societies, and after it puts in its first annual report and financial statement.

The restriction discourages fly-by-night financial ventures, and makes National Mutual shy of displaying its wares.

According to Murray Austin, National Mutual investment manager, the preliminary step of registering the society, which it has no intention to develop yet, is just one part of the group's "overall strategy".

Once its "modest accounts" have been approved by the Registrar, the operation will be ready to go public. The accounts will be mainly a record of shares sold to people within the company.

Austin said the society had given no consideration to membership of the Permanent Building Societies Association. The organisation represents major permanent building societies which it claims is "a unique type of financial institution, providing a highly efficient means of collating the savings of their members and converting these into housing mortgages".

The rules of National Mutual's building society provide for two classes of share-founders', and investment shares, both of $1.

Members comprise of shareholders and borrowers. But at this stage founders' shares only are held by the 20 society members from within NML, who hold $1000 worth apiece.

Under the Act, founders' shares may not be transferred for a period of five years, after which time they revert to the status of investment shares.

The directors of the society are: Geoffrey Parsons, chartered accountant; David Tudhope, company director; John Morrison, solicitor; Douglas Brown, company director; and Gilbert Hoskins, company manager. Geoffrey Fuller is society secretary.

Meanwhile, there has been a flattering in the rapid growth experienced by permanent building societies earlier this year.

Assets of the 12 largest societies, which represent 97 per cent of the movement's total assets, increased between the June and September quarters from around $264 million to nearly $270 million, a rise of 2 per cent in the quarter, compared with a rise of 6.4 per cent between the March and June quarters, and of 4.9 per cent between the December and March quarters.

Permanent building societies, like savings banks, offer competitive interest rates to attract short-term deposits, and generally provide borrowers, who have had a satisfactory savings record, with long-term mortgage finance.

They differ from savings banks in that they are required to invest a smaller proportion of their funds in public sector securities, and are less influenced by Government in fixing interest rates on deposits and mortgages.

Building societies lag

by Rae Mazengarb

BUILDING societies lag far behind central Government and private individuals in the housing finance market with a mere 9 per cent share of total outstanding mortgages, according to a study commissioned by the Permanent Building Societies Association.

But the future is optimistic, the report said, since the societies' role is closely linked to the Government's objective to support institutions in the private sector in providing long-term finance.

It notes that the permanents have grown rapidly in recent years, but warns that steps should be taken to strengthen the movement and further improve its security of deposits.

Prepared by the contract research unit of the New Zealand Institute of Economic Research, the study was presented to the association's annual conference last week.

In contrast to other countries in which building type societies dominate the market, in New Zealand, housing finance is provided by a wide range of financial institutions.

Main sources of the finance for the last 14 years have been the Housing Corporation and solicitors acting as intermediaries for private individuals/trust funds.

While trading bank housing finance has fluctuated with changes in Government policy, terminating building societies and insurance companies have experienced a long-term decline in market share.

In 1979 the societies' share stood at 6 per cent and insurance companies had 14 per cent of outstanding mortgages, compared with 1965 figures of 12 and 25 per cent.

The report says that they have difficulty attracting funds partly because investors cannot immediately identify associated returns, especially during periods of high inflation.

The Housing Corporation's share stands at 24 per cent, down from the 31 per cent of 1965.

While interest rate relativities have been the principal factor influencing the market, recent Government savings stock issues have attracted funds from various sources, especially funds held with solicitors — 21 per cent in 1979 compared with the high 30 per cent of 1975 and 1976.

Permanent building societies provide a comparatively small proportion of total housing funds, at about 3 per cent. In other developed countries, they — or their equivalents — provide a much greater proportion, for instance, in the United Kingdom some 80-90 per cent.

But the report says there are several reasons why the permanents should take an optimistic view of the future.

Recent events, including extension of the tax deductible interest allowance to include building societies and the connections with finance companies that have been a growing trend, should assist their market position.

"They provide an efficient service and their role is closely linked with the objective of Government to support those financial institutions in the private sector providing long-term housing finance," the report said.

The ratio of management and other operating costs to total assets — used as a measure of efficiency — shows permanent building societies in a better light than other institutions, directing most of their funds into housing.

"Not only is the proportion of overheads to total assets lower, ranging from 0.9 to 1.3 per cent, but a greater share of total funds is invested in housing mortgages, averaging 80 per cent of assets compared with 40 per cent on average, at savings banks."

The Housing Corporation — though in theory the most efficient institution, with overheads remaining at or below 0.5 per cent of total assets, has no associated cost of collecting funds as with the other institutions analysed.

An investigation into security of deposits shows some financial institutions are placed in a secure position through funds being Government guaranteed, as in the case of trustee savings banks, or through the provision of lender of last resort facilities, as with trading banks and their associated savings banks.

Others obtain security through diversifying their investments with adequate emphasis on liquid assets.

But in the case of permanent and terminating building societies, the requirements to invest in public securities is comparatively low — moving up to 15 per cent by 1987.

But given their objective to provide housing finance, the report said it is difficult to justify greater emphasis on liquid assets.

"More emphasis could however be given to longer term deposits, but this would increase the cost of attracting funds and consequently the cost to the borrower of obtaining mortgage finance."

The report said it is becoming increasingly more important that steps be taken to improve security of deposits.

"This is also in Government's interest, bearing in mind the economic and social costs associated with recent financial collapses."

The ideal solution is deposit insurance, with Government support, as exists in the United States and Canada.

Another option is for Government to provide lender of last resort facilities — possibly in return for some restructuring of assets.

With this support — plus an associated second mortgage market which allows mortgages to be readily bought and sold, thereby converting liquid funds into long-term investments and vice versa at short notice — permanent building societies in difficulties would be given breathing space to make changes, especially liquidating mortgages.

NBR BUSINESS WEEK

UK drops exchange control: dollar moves

by Peter V O'Brien

RAPID fluctuations in the relationships between overseas currencies have affected conversion rates for New Zealand dollars, although they have no immediate effect on the official exchange rate.

Last week one pound sterling was the equivalent of $2.20 New Zealand, the same exchange rate applicable after the 5 per cent devaluation announced on Budget night.

The dollar has been further devalued at 0.4 per cent a month since then, so overseas variations have effectively improved our relationship with sterling since June.

But people who exchanged New Zealand dollars for sterling at trading banks earlier this month saved money. When the United Kingdom government removed exchange controls the rate given in New Zealand for sterling was $2.14 for one pound. A rise to $2.20 last week is about 3 per cent, which results in a reasonable saving on the $2.14 figure.

The figures quoted in London money markets were better. On November 2 the buy/sell spread in New Zealand dollars for the pound was 2.1270 to 2.1370. These figures were "unofficial".

The Reserve Bank sets the official exchange rate based on the US dollar, in line with procedures announced earlier in the year.

Reserve Bank governor, Ray White described the system when speaking to the Institute of Directors in July.

"At quarterly intervals the Reserve Bank and Treasury will make an assessment of the likely change in production costs – not the Consumers Price Index – for the year head using as guides the most recent trends in production costs, forecasts of other aspects of the economy and known future events..."

"In the quarterly review we shall also assess the likely rates of inflation in the countries with which we conduct most of our trade. These rates will be trade weighted to arrive at a composite figure for the rate of inflation likely to be experienced by our trading partners. The difference between this figure and the rate of increase in domestic costs will be the forecast rate of change in relative prices during the next year..."

"The Reserve Bank will proceed to make small changes in the average value of the New Zealand dollar in terms of the basket of currencies progressively during the following quarter in accord with this annual rate".

"At the end of each month the Reserve Bank will publish an index of the average value of the New Zealand dollar".

The new system overcomes many of the problems which arose under the previous *method*.

Exporters, in particular, have less of an exchange risk, because, as White told the Institute of Directors: "New Zealanders can now fix the exchange rate at which they can buy or sell foreign currencies for delivery up to a *year from the date of execution* of the forward contract".

The new forward exchange system was introduced to deal with the currency instability which plagued New Zealanders entering into overseas contracts in specific currencies.

International currency movements this month show its effectiveness.

The United Kingdom decision to abolish exchange controls strengthened the United States dollar against the pound, leading to a similar change in the status of our dollar against *sterling*.

The various changes average out in the trade weighted basket, using the Reserve Bank's procedures, but people exchanging our dollar for a specific currency obtained small percentage advantages, which can be useful in dollar terms depending on the size of the transaction.

The reverse happened last week when sterling rose strongly against the United States dollar, in anticipation of a rise in the minimum lending rate. The British economy is in a mess, with inflation pushing towards 17 per cent on an *annual basis*. Other problems are affecting economic management.

An NZPA-Reuter report last week summarised the difficulties: "Meanwhile, the Government's economic strategy will take a further buffeting from an awaited series of *statistics* expected to show inflation running at its highest level for more than two years, money supply growing too fast, production and exports hit by the recent engineering two-day strikes and the balance of payments in the red".

A *rising pound in these* circumstances could have a paradoxical effect. The London **Economist** said recently that an appreciating pound affected the international competitiveness of British industry, and suggested that controls "keep sterling [illegible] *and so squeeze profits*. [illegible] vestment is made even less attractive and there is less money to invest. Removing this artificial boost to sterling (exchange controls) will aid profits, investment and jobs".

If that is correct, a jump in sterling in anticipation of *higher interest* rates could again influence British industry's competitiveness unless the value subsides when speculators are cleared out of the market.

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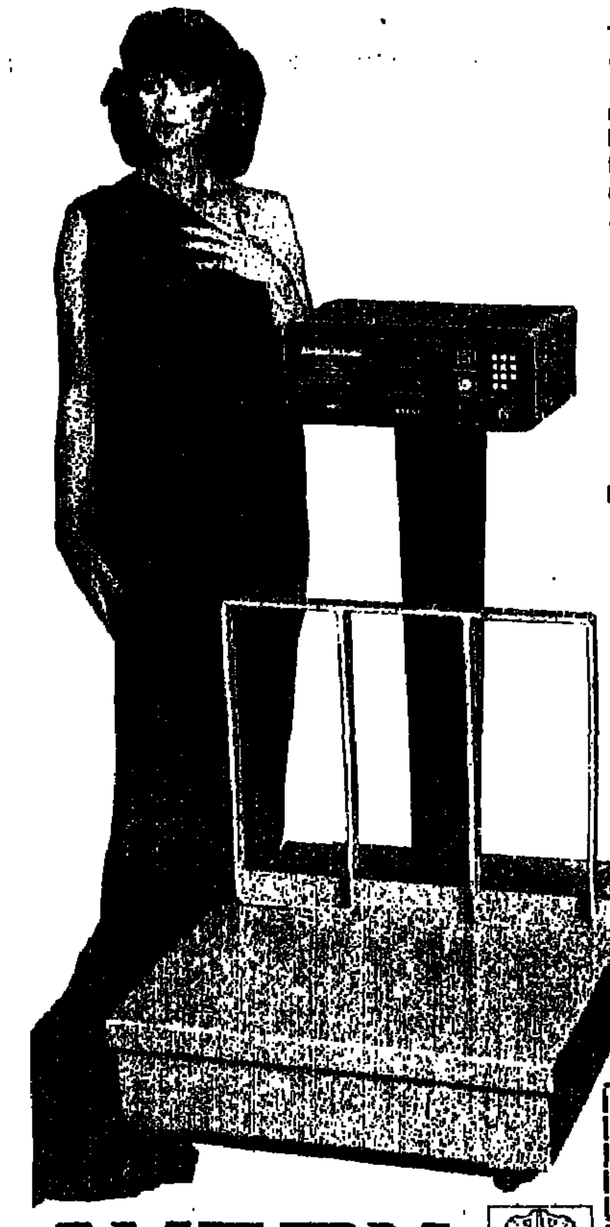

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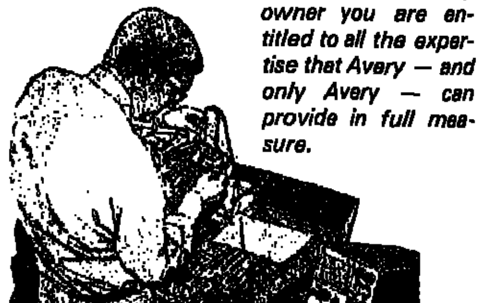

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Analysing annual accounts

by Peter V O'Brien

THE Australian company, Industrial Equity Ltd, gives shareholders more financial information than its New Zealand parent, Brierley Investments.

Industrial *Equity has to* comply with the provisions of Victoria's Companies Act, while Brierley Investments operates under antiquated New Zealand rules on financial disclosure. (Although IEL's head office is in Sydney, the company is registered *in Victoria)*.

Detailed notes to the IEL accounts show the difference between realistic legal provisions and the minimal requirements which pass for law in New Zealand.

The directors' report includes 20 paragraphs on share issues during the year, valuations of current assets, provisions for bad debts, contingent liabilities, "unusual" matters which may have affected profit, and statements regarding events between balance date and the date of the report, if they would affect company affairs in 1979-80.

An "annexure" to the directors' report lists subsidiaries acquired and disposed of, stating consideration, the amount of net tangible assets, and the holding company's interest.

Note 13 in the accounts gives the holding company's percentage investment in every subsidiary, and the subsidiaries' contribution to group earnings.

The note shows the spread *of IEL's activities, and indirectly* gives New Zealand shareholders in Brierley an idea of the Australian business.

It lists 175 companies, although many are sub-subsidiaries of IEL, being taken over when other holding compan*ies were acquired*.

Only 33 companies are shown as contributing to group profit. Individual contributions are consolidated from subsidiaries of the 33 groups.

Total net profit ($4,482,940, after allowance for outside *interests in subsidiaries) came* from eight companies with losses of $1,193,847 and 25 with profits of $5,666,787.

The main loss, $408,992, was in the holding company. That is understandable, as it carries head office and administrative expenses.

A trading subsidiary of the Southern Farmers group, Kongorong Co Pty Ltd, contributed the largest profit with $1,281,220.

A Hong Kong registered company, Wilbur Enterprises Ltd, brought the second largest profit of $1,219,382 to the consolidated accounts. Wilbur is the holding compant for IEL's interests, and participated in proceeds from the sale of the London-based Corn Exchange's assets.

Several items in the accounts, and in chairman Ron Brierley's report, are worth attention.

The company's "shares and other investments" were valued at $42.1 million at balance date, compared with $28.8 million in 1978. Shares in listed public companies had a $26.66 million book value, as against $17.85 million in the previous year.

RON BRIERLEY ... "proved singularly elusive".

The total excludes a book investment of $8,591,000 (cost $10,529,000) in Marra Developments Ltd. Ron Brierley describes Marra as a merger which was "one of the largest in Australia's pastoral history, and as events transpired, also one of the least successful".

Brierley's ability with the tart comment is seen in this passage:

"The causes of the failure are well known to those who are familiar with Marra's affairs, but unfortunately for the taxpayers of NSW these causes have proved singularly elusive so far as the State Government's official 'investigation' into the company is concerned. This enormously futile and profligate exercise has now been in progress for over two years at a cost of well in excess of $500,000 and with still no end in sight!"

On a lighter note, a mixture of romantic associations and English snobbery shows up in "other UK investments".

Brierley says the company continued to expand its UK portfolio on a limited scale. The largest investments are The Antofagasta (Chili) and Bolivia Railway Co Ltd (14 per cent) and The Country Gentlemen's Association Ltd (20 per cent).

Brierley says both investments have appreciated in value well above the cost price.

The railway company is listed on the London Stock Exchange under "Foreign Railways", a group which includes that bulwark of capitalism, the Russian South Eastern Railway. Antofagasta sold recently at 36.5 pounds compared with a low of 22 pounds for 1979.

The Country Gentlemen's Association is a mail order company catering to the needs of expatriate English gentlemen, who used to ensure that the sun never set.

Exchange Rates

As at November 15, 1979, $1NZ is worth:

Australia	.8832	Italy	792.65
Britain	.4557	Malaysia	2.0844
Canada	1.1396	Netherlands	1.8913
Fiji	.8224	New Caledonia &	
Japan	233.59	Tahiti	72.54
West Germany	1.7008	Norway	4.8123
USA	.9618	Pakistan	9.2789
Austria	12.25	Papua-New Guinea	On application
Belgium	27.49	Portugal	48.14
China	1.4513	Singapore	2.0928
Denmark	5.0449	South Africa	.7777
France	3.9903	Spain	63.41
Greece	35.82	Sri Lanka	On application
Hong Kong	4.8058	Sewden	4.0663
India	7.7399	Switzerland	1.5711
		Western Samoa	.8853

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J.L. Primrose Ltd build and export *steel-hulled commercial craft to Papua* New Guinea and other Pacific Basin countries. The acquisition of sophisticated plant has enabled the company to broaden its export market horizons and will further assist in the construction of more advanced vessels to meet market requirements.

G.J.B. Products Ltd. Export Achievement Award Winner, is the only company in the world producing in one factory a complete range of darts and dartboards and currently exports to 13 countries. New plant and technology will ensure continued competitiveness and export growth.

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Quarterly decline in GPI offers some comfort

by Peter V O'Brien

THE latest issue of the General Price Index, released last week, is another indication of inflationary trends.

The index compares movements in inputs (the prices that producers pay for goods and services excluding labour) and outputs (factory door prices, before addition of commodity taxes or deduction of producer commodity subsidies). There are 24 industrial sub-groups in the full index, including "central government" and "local government".

Input prices rose 19 percent over the GPI for the year to September, compared witrh 16.8 percent in the June year.

The quarterly movement between June and September was 4.9 percent, as against 6.3 percent in the three months to June. The decline in the quarterly movement is some comfort to inflation watchers, but it is still higher than the 3.3 percent recorded in the March quarter and the 3.4 percent for period to December, 1978.

The Statistics Department says the main individual terms contributing to a 20.5 percent quarterly rise in the chemicals, petroleum and plastics groups were crude oil and fertiliser, "the latter being affected largely by the decrease in subsidies".

The increase in prices for motor spirits and oil affected all groups, but it had its greatest impact in the input index for the transport and storage group.

Critics of rising Government expenditure may be relieved at the movement in central Government inputs. The figures exclude labour, a major component of Government costs, but they show a decline in the prices paid for other goods and services.

The central Government input index rose 3.6 percent between June and September, compared with 4.5 percent in the previous quarter and 1.88 percent in the three months to December 1978.

The annual movement in the September year was 14 percent. The corresponding increase in the 12 months to June was 15.2 percent. Both figures are above the 10.4 percent recorded between March 1978 and 1979.

The "communications" index is loosely connected with the Government, because it includes the Post Office. The output (prices charged) for that group's services remained on an index of 1000 from commencement of the GPI until June 1979. It rose to 1100 (an increase of 10 percent) in the September quarter, reflecting higher postal charges.

Substantial price hikes for electricity appear in the output index for the electricity, gas and water group. That index stood at 1058 in September.

A year later it was 1546, a jump of 47 percent. The index and output figures for the group are well ahead of all other groups, with only the agriculture sector coming close.

The GPI can be useful for assessing the likely trend in Consumer Price Index movements, although it demands a cautious approach, because the exclusion of labour from inputs, and varying time lags before inputs are reflected in output prices, can distort analysis.

If output movements fail to keep pace with inputs it can be assumed (again cautiously) that producers will adjust their prices in subsequent quarters, particularly when inputs from other sectors flow through to the individual group.

The different starting points of input and output indices can affect the calculation (although both have a base 1000 the actual initial relationship between the two can differ over time), but examples of likely trends can be seen in the sub-groups.

For example, the textiles, apparel and leather subgroup's inputs rose 4.09 percent in the September quarter, compared with a movement of 2.66 percent in outputs. In the previous quarter the changes were respectively 4.18 and 4.02 percent.

The input change probably relates partly to the rising cost of hides and skins, but prices for inputs may be running ahead of prices for the final product at the factory door.

If that is correct, producers are likely to adjust output prices to preserve margins. The result would be another life in prices for consumer goods coming within the textiles, apparel and leather group.

Rising input prices for wool and synthetic fibres will also affect this group, adding to the impact of costs for raw material in the leather industry.

A rise in output prices will eventually flow into the Consumers Price Index, which is the usual measure of inflation in the economy, although some economists consider it is still imperfect.

It must be emphasised that this is a "rough and ready" method of looking for future retail price rises, but it is better than nothing for those who lack access to sophisticated data and the economist's calculating technique.

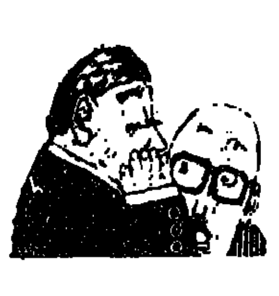
The GPI itself is also imperfect for other calculations because there is an element of "double counting" in some sectors. One overlap occurs between the agriculture group and the food, beverages and tobacco sector. In the case of meat, for example, the same product can flow between the inputs and outputs of the groups.

While this does not affect the index as such, it influences attempts to use the GPI as a base for adjusting money values for the purposes of inflation accounting.

GENERAL PRICE INDEX . . . looking for future retail price rises

National Insurance sales — worth an investment

by Peter O'Brien



INVESTOR INSIGHT

THE market reacted quietly to the National Insurance profit, increased dividend and bonus issue announcement. Quotations were raised to $2.10 buyer, $2.15 seller on Tuesday morning.

Stronger support for the shares is likely in the coming weeks as investors examine the effects of the 17 cents a share (34 per cent) dividend, compared with 13.5 cents (27 per cent) paid last year.

A one for 10 bonus issue does not qualify for the higher dividend, but the directors expect to maintain the payment on the new capital.

An amount of 4 cents a share will be paid from capital reserves. The company may continue this form of payment in future, thus raising the effective yield to individual shareholders.

The table gives a range of cum bonus prices, the theoretical ex bonus price (assuming a full adjustment), and the dividend yield at the ex bonus price. Each shareholder/potential investor can assess the effective yield on the basis of their marginal tax rates/over a variety of tax free dividend elements.

The price was $2.05 just before the profit announcement, and yielded 6.6 per cent from last year's dividend. The yield pattern in the table can be compared with figures for N.Z. Insurance and South British last week.

The former was 8.8 per cent, while the latter yielded 9.3 per cent. National Insurance traditionally yields less than the other major insurance groups, and sells on a higher price/earnings multiple.

The company had an earning rate of 83 per cent on pre-bonus capital, and the new dividend is covered 2.4 times on that basis. After the bonus, a payment of 17 cents a share will be covered 2.2 times from the adjusted earning rate of 37.6 cents a share.

The price/earnings multiples over the price range in the ex bonus column of the table would be between 5.3 and 6.27.

Group net profit was only 12.4 per cent higher than the $5,369,000 earned in 1978. There was a substantial rise in the claims ratio (the amount of claims incurred related to premium income over the period). The ratio was 73.6 per cent compared with 69.2 per cent in the previous year.

Claims totalled $37,578,000 ($33,914,000 in 1978) while premium income was $51,049,000 ($49,034,000).

The underwriting surplus fell from $746,000 to $171,000, but investment income, the saviour of insurance companies these days, increased from $4,623,000 to $5,868,000.

An insurance company's investment income is spread over public sector securities, equity shares, debentures and other fixed interest securities, and mortgages.

National probably benefited from the rise in interest rates over the last 12 months, particularly in public sector securities.

The improved profitability of public companies, accompanies by higher dividends and many bonus issues would assist income from equities, while adjustments to interest rates on mortages would lift returns from that sector.

The company treated shareholders well in recent years. Following a one for two bonus issue in 1973 there was a share split to 50 cents units and a cash issue at a premium of 50 cents (total payment $1) in 1977. Shares taken up in that issue now yield 17 per cent, on the basis of a 34 per cent dividend, without allowance for subsequent bonuses.

National made a one for five bonus issue in 1977 and repeated the performance last year in the ratio of one for six. Dividend increases kept pace with the bonuses. The payment was 18 per cent in 1975, 20.6 per cent the following year, 25 per cent in 1977 and 27 per cent in 1978.

Higher dividends and regular bonuses explain National's better market rating when compared with NZI and South British. The company is also the smallest of the three listed insurance groups, a factor which might have some intangible influence on both its performance and the willingness to price the shares effectively higher than the other two.

The shares are worth an investment, assuming that the market keeps the cum bonus price around the middle of the range in the table.

Cum Bonus Price Dollars	Theoretical Ex Bonus Price Dollars	Yield Ex Bonus Per Cent
2.20	2.00	8.50
2.25	2.04	8.33
2.30	2.09	8.13
2.35	2.13	7.98
2.40	2.18	7.79
2.45	2.22	7.65
2.50	2.27	7.49
2.55	2.31	7.35
2.60	2.36	7.20

NOTE: The writer neither owns, nor has a beneficial interest in, National Insurance shares.

Company news

Alex Harvey Industries Ltd lifted increased unaudited profit by 15.8 per cent to $7,549,000 in the six months to September 30. Interim dividend is being increased by 1c to 8c (8 per cent). Directors foresee a continuing trend to increased sales in the second half.

The Bank of New South Wales in New Zealand reported a tax-paid operating profit of $5.1 million on operations for the year to September 30, an increase of 36.9 percent on the previous year's profit.

Brierley Investments Ltd reported a record net tax-paid profit of $4,357,000. The directors forecast a dividend of at least 18 per cent (9c). The year's total will be 12c.

Broadlands Dominion Group Ltd reported an unaudited net trading profit of $1,132,000 for the six months to September 30 — a profit performance decline for the third successive six-month period. A steady interim dividend of 3.5c (7 per cent) will be paid from tax-free sources December 21, ex November 28.

Henry Berry Ltd announced its first staff share purchase scheme to its employees had been oversubscribed immediately. 100,000 ordinary shares (in parcels from 200 to 1000) was offered 100,900 — or 900 more than originally offered — were applied for.

Independent Newspapers Ltd reported a 64 per cent improvement in unaudited (group trading) tax-paid profit of $1,064,513 for the September half. Interim dividend was increased from 5c to 7c (7 per cent), payable December 4 ex November 21 and equal to half the total 14c paid for 1978-79. Directors expect trading profits for the year to continue to show the trend shown in the first six months.

Marac Holdings Limited announced an unaudited net profit after tax of $1,729,000 for the six months to September 30 — up 27 per cent. An interim dividend of 8½ per cent will be paid on January 7. Directors consider short-term economic conditions are not conducive to growth, but expect an improved result in the second half.

National Insurance Co. of N.Z. Ltd reported an increase in annual tax-paid profit by 12.4 per cent for the year ending August 31, compared with the 1977-78 period.

The rise is not as high as last year's 31.5 per cent.

THE WEEK

New Zealand Industrial Gases Limited announced a tax-paid profit of $2.4 million in 1979 (up 19.1 per cent on 1978). The final ordinary dividend recommended is 11 per cent, making a total for the year of 20 per cent (1978: 17 per cent). The final preference dividend is 2.75 per cent making 5.5 per cent for the year (1978: 5.5 per cent).

Phillips Electrical Industries declared it intends to take over all fully paid 50 cent shares in Auckland-based Pye Electronics Ltd, paying 155c a share.

Pye directors have cautioned shareholders not to sell, but are considering the offer.

The Phillips group, of Holland, already owns 64.5 per cent of Pye which it purchased in Britain.

Precision Engineering Company and Alex Harvey Sheetmetal Products (excluding bathroom ware) have merged under the Precision banner. Alex Harvey Sheetmetal Products continues as a specialty producer of porcelain enamelled steel baths and hand basins.

Revertex Industries NZ Ltd reported an increase of 21.6 per cent unaudited tax-paid profit in the half-year to September 30. The interim dividend has gone up by 1 cent to 8c (8 per cent). All operating companies within the Group will profit and earnings will be maintained for the second half of the year, directors said.

Vacation Hotels Ltd announced it would no longer build a $250,000 tavern at Queenstown. Chairman, J T Sheffield, said (1) public house type drinking establishments would have to compete with sports clubs which have been granted ancillary licences; and (2) there has been a decrease in the flow of tourists to Queenstown from Australia.

Tanner W. Sutherland and Co. Ltd. reported an unaudited profit for the six months to September 30, of $161,528 (compared with $7313 a year ago). Directors say a 5 cent (5 per cent) tax-free interim dividend will be paid, equal to the total payment for the 1978 year ending March 31.

Prices

THE level of prices of inputs of goods and services (except labour) paid by the producing industries over the whole economy was 19.1 per cent higher this year than a year previously, according to the Government Statistician's general price index for the September quarter. Input prices over all industry groups for the September quarter was 4.9 per cent. The chemicals, petroleum and plastics group experienced a 20.5 per cent rise.

continued from Page 1

trend auctioning licences would bring about as successful bidders built in the premium to the market price.

Importers made great play of the fly-by-nighters" who would bear no responsibility for product servicing.

Adams-Schneider dismissed their argument along with claims that the tender system would allow large companies to freeze out smaller competitors.

Import-Export Bureau members see auctions as a particular threat, allowing retailers to eliminate them from the distribution chain.

The Import-Export Bureau also argued that the new system would encourage licence trafficking, a practice which is already widespread.

At present licences are issued without charge to proven importers providing certain criteria are met and are not allowed to be bought or sold.

But importers have developed subtle ways of bending the rules.

A frequent practice is for a non-licence holder to use someone else's licence, paying a commission for the privelege.

Effectively the non-licence holder does all the work and acts as the importer. Technically, he is the second man in the chain after the licence holder.

Trade and Industry Minister Adams Schnieder claimed auctioning would effectively bar licence trafficing, because a holder would be unlikely to be able to sell the licence at a further premium.

Central to the lobbyist's claims has been the threat to their profit margins.

Existing importers who successfully tendered for an additional licence effectively would be operating on two cost structures while being able to charge only one price. The difference would be the premium paid to Government.

Some goods — children's toys is one extreme example — are marked up by 1200 per cent from landing on the wharf to the final buyer.

In theory, licence auctioning should encourage more price competition or at least remove the excessive mark-up from the middleman's pocket into the Government's purse.

Importers argue that neither is likely to occur.

Because the licences are for such a small proportion of total imports, it is likely that all will be sold in Auckland where the market is largest.

Significantly, Auckland manufacturers, importers and Chamber of Commerce have been most vocal in their opposition.

Their opposition has delayed the scheme, ostensibly for the Government to consider the recommendations of the Industries Development Commission's report on textiles.

The commission recommended that for certain categories licence quotas be raised by 150 per cent to instil greater competition and in other categories, particularly clothing licences be auctioned.

September was the first target date.

The revised scheme may appear before Christmas, ready for the first auction early next year.

The qualifications, if any, needed by tenderers remain unclear. Importers are arguing that they should be the only ones eligible, but Adams-Schneider has said that the idea is to allow a wider range of people to bid.

The origins of the tendering scheme are unclear.

The idea did not originate within the Department of Trade and Industry, nor in the Ministers office.

Some sources claim it is window dressing to appease the Asean nations, which are pushing for greater access for their goods into markets such as New Zealand.

Fate of city's fish industry lies in port decision

by Rae Mazengarb

THE future of the fishing industry in the Wanganui region – including a large joint venture programme with a South Korean company – hangs in the balance while the NZ Ports Authority considers a proposed $500,000 dredging programme for the Wanganui Harbour.

Those pushing the development say all the information regarding the proposal has been before the Ports Authority for some time, and no additional facts have been requested.

But the authority has made no decision.

The Wanganui Harbour Board, which had a deficit of $150,000 last year, maintains that, if approval is not granted, the port will have to be closed.

The result would be a loss of new industry, loss of job opportunity and allied business estimated at over $60 million, the board claims.

The Golden Bay Cement Company Ltd, expecting a new and larger vessel to arrive from Britain before the end of this year to replace its present boats, is unable to plan its operation until a decision on the scheme is made.

If the harbour board proposal is rejected, the company would have to supply the Wanganui region from other ports which would boost the price of goods to the consumer.

The board has proposed a dredging programme to increase the depth of the harbour entrance and the bar, and provided for new equipment for the dredge to maintain that depth.

The proposal is different from the $3.5 million plan rejected by the authority more than a year ago.

The Ports Authority, established to control harbour development, is responsible for fostering an efficient and integrated ports system.

But before decisions are made the authority must consult with other parties such as the Treasury, the Ministry of Transport and Ministry of Works and Development.

The Wanganui Harbour Board's proposal is "still under consideration", an official said. We cannot be sure that the authority members would have finalised the matter before the next meeting scheduled this week, he said.

There had been no delays with the proposal, he said, it did not come before the authority until mid-December.

The latest application, complete with full details, was made to the authority about six weeks ago, said Wanganui Harbour Board chairman, Paul Mitchell. But the authority had been familiarised with the plans several months before the application had been officially lodged, he said.

The main aim was to provide for the fishing venture and to allow for the Golden Bay Cement Company's vessel to get into the harbour.

A decision had been expected after the authority's last meeting, just over a week ago.

"They had all the information. We imagined they would have made a decision," said Mitchell.

If the port had to be closed – and Mitchell maintained this would happen if the decision went against the proposal – all port-based industries would have to go, at great loss to the region.

The managing director of Wanganui Trawlers Limited, Pam Williams, agreed that failure to develop the port would leave no future for any fishing venture in the Wanganui area.

If the port was closed the joint fishing arrangement between the local company and its South Korean partner would be finished.

Other local fishing would also be in "dire straits", she said.

Williams estimated the fishing industry plus spin-off for local services and goods, was worth about $1 million a year to the Wanganui area.

Golden Bay Cement has still to fully appraise the conditions under which the new vessel could enter the harbour.

Certainly under present conditions the boat could not come in fully laden said managing director P J Duncan.

The company had valuable assets in the region which "we don't want to walk away from", but if the development did not go ahead the vessel would most likely have to land goods at either Wellington or New Plymouth for on-freighting to Wanganui.

The company had made its submissions to the Ports Authority about a year ago when the harbour board made its first application to the authority, said Duncan.

According to Mitchell, the proposal shows a small cost to the ratepayer to keep the harbour board going. The board had a large deficit last year, but with the development, losses would be reduced immediately.

"Ultimately the loss will reach break even", he said.

But it is the rates issue which is worrying what Mitchell describes as "a small pressure group" in Wanganui.

Employer training follows union example

by Ric Oram

THE employers are to set up their own training board, similar to that operating for trade unions.

A recommendation is going to Labour Minister Jim Bolger for approval for the Employers Associations' Training Board.

With the Minister's approval will be an allocation of about $19,000 a year from Government funds for the board's operations.

Federation training and development officer, Ross Pedder is tipped to become the board's executive officer.

In the past two years the federation has developed a wide-ranging educational programme in industrial relations for management.

Last year, about 1000 managers and personnel officers attended seminars run by the federation. But this year numbers increased to 5000.

After 30 seminars in 1978, there were 130 this year.

As well as the executive officer, there will be full-time training officers in Auckland, Wellington and Christchurch.

The employers' move has the blessing of the Vocational Training Council and the support of the Labour Department and Treasury.

If it receives the Minister's blessing, it will start next year.

Employers' Federation executive director Jim Rowe is a member of the Trade Union Training Board, and it's likely that his counterpart in the Federation of Labour, Jim Knox, will be on the employers' board.

Others represented on the board will include the Departments of Labour and Education, the Vocational Training Council, and the Industrial Relations Centre of Victoria University.

The move toward greater training in industrial relations for management has developed in recent years as industrial law has built up and rulings of conciliators and mediators and the Arbitration Court have developed an industrial case law.

Much of the federation's attention has been devoted to essential procedures in dismissals, suspensions during strikes, human rights, equal pay and other responsibilities placed on employers by legislation.

But the proposed board will move into equipping management to developing its own in-house training skills. These will cover training of management skills as well as retraining for workers in various occupational categories.

Investors form new breed of stamp collector

by Rae Mazengarb

TAKE out that dusty old family stamp album and have a good look at what is inside. Those yellowing pages could be harbouring a fortune.

A lifetime collector's stamps traditionally have been passed from generation to generation along with other family treasures, with hardly a thought given to their realisable value.

But lately there has been a stamp-buying boom.

Investors, conscious of the value of stamps as a hedge against inflation, are emerging as a new breed of collector, snapping up valuable and rare stamps.

And the upsurge in interest is having a marked effect on the marketable value of stamps.

So much so, that dealers are grumbling about the lack of stamps being offered to them for sale.

At a recent meeting of their association, some dealers complained that prices had soared so high, that many collectors were unwilling to sell. The dealers had been left in the lurch with little stock coming their way.

But when more than $100,000 worth of stamps are put up for sale later this month, the buyers – including many overseas' bidders – will be out in force.

The biggest public stamp auction ever held in the country, will include some rare attractions, including: the award-winning collection of the late Douglas Naish, former secretary of the Royal Philatelic Society; Sierra Leone Wilberforce covers which could fetch well above the estimated $1500; and a 1922 St Helena 15 shilling which is estimated to fetch more than $1400.

These are just two of 1527 lots due to go under the auctioneer's hammer.

Wellington stamp dealer and organiser of the event, John Mowbray, advises people who are thinking of selling their collections to consider selling by auction.

"It is often the only way a realistic market price can be established where the item is unique or not often seen on the philatelic market", he says.

Stamp auctions, still novel here, are a popular mode of selling overseas.

A large auction in Switzerland recently attracted buyers from all over the world, and with 17 sessions spread over a full week, it brought in around $15 million.

An auction to be held in Melbourne during early December will not be quite so grandiose, but it is bound to attract some enthusiastic buyers – one lot of just two stamps is expected to fetch more than $30,000.

It is not yet clear what kind of bidders will participate in this month's Wellington event. Because many stamps will command fairly high prices Mowbray feels the smaller collector, with a restricted budget, may not take part.

That will leave the way wide open for the investor, willing to pay the price.

The estimated values listed in the catelogue look conservative against the prices offered for these same stamps by overseas' dealers wanting to buy in stock.

So there is potential to buy up for quick sale overseas. Stamps are also an easy way to take funds out of the country.

Mowbray says he knows of few collectors who buy with the intention of making windfall gains. But he has noted a change in attitude toward collecting.

Few are not aware of the commercial potential of stamps; yet many who initially collected for investment purposes have become bona fide collectors.

Mowbray admits it is difficult to gauge just who is collecting. "Many people collect stamps but don't talk about it."

According to some dealers, prices have soared, throwing the stamp business into turmoil.

"It's hard to explain why," says Mowbray. "People appear to be buying stamps as an inflation hedge; and the same time it could have something to do with the more sophisticated approach to selling".

In 1969 Mowbray and 10 other dealers formed the NZ Stamp Dealers Association. Today it has more than 60 members. "About half you would class as full time."

Competition for stock is so much greater than it was 15 years ago when Mowbray formed his company; prices are going up all the time and building up good stocks takes money.

Yet traditionally these businesses don't operate on borrowed money.

There are compensations; however. As Mowbray points out, in today's market, avenues of supply are more open.

Setting up a big auction takes time, and plenty of work. For the coming event Mowbray spent over a fortnight inspecting stamps, many bought in from estates and other collections.

Then each lot requires a clear description – "I try to do most of that myself. Reputation depends on it".

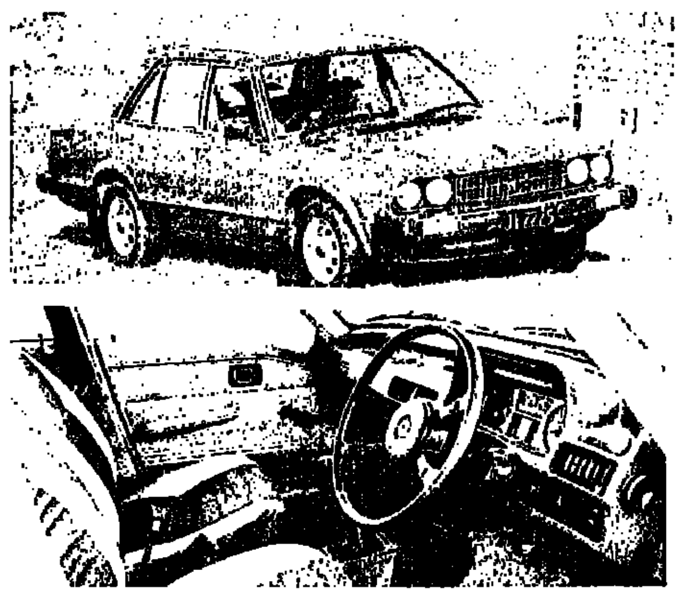
A great deal of trust is placed in the descriptions of condition.

Opinions vary, so errors can occur. But each lot is guaranteed to be genuine.

Stamps are put into order and the catelogue prepared.

Back from the printer with only a few weeks to spare to allow for postal bidders, the catelogue is sent out. In this case some 2000 went to overseas dealers and collectors. (Mowbray qualifies for export incentives.)

In the days before the auction, bids will come in by post, telex or telephone and will be collated.



HONDA ACCORD ... different design philosophy

Honda enters executive car market

by Motoring Writer

"MEET Europe's best on their terms".

That's how a critical British Motoring Magazine rates Honda's Accord.

In New Zealand its competition in the $11-12,000 bracket, includes Cortina Ghia, Sigma GSL, Cressida GL 626 Limited, 200 B 2X and Sunbird SL/E.

On paper the Accord appears to be disadvantaged by not having a 2 litre motor. But it does have a five speed gear box.

It doesn't have rear-wheel drive but uses space-saving front-wheel drive.

Its body dimensions are smaller than all its competitors yet at $11,116 it is no cheaper.

The Honda Accord meets its local competition by offering a different design philosophy. Not so in Europe, where the Accord characteristics are the norm rather than the exception.

It could be argued that the cars offered here are of a conventional design, bound to please the buying motorist, who treat new technology with caution.

Take the Chrysler Alpine, for example. When it was launched in 1977 it offered FWD, sporty performance and handling, modern design and good space utilisation. But it failed to make a market impact.

The Accord is a similar car, but is not going to follow the same sales path.

Maybe the car buyer of 1979 is more educated than in 1977, a year when new models came fast and often.

NZMC plans to produce the Accord (4-door in larger numbers than the already popular hatchback version, somewhere near a ratio of 60:40 with an annual total of around 3000 units.

Based on NZPO registrations for the past three months, NZMC executives appear to have made the right decisions. Accord is selling and selling well — $23 mill worth in a full year, about the same that the company is expecting from its Rover market.

The design of the Accord impressed me. Nothing seemed to be unnecessary.

The car gave me the feeling it was right — a good fit and ideal for most situations.

It would perform all duties requested of an executive car. A modern Triumph, maybe.

Nimble in the city and comfortable on the motorway, the Accord is economical and well built.

There is enough interior space for the car to be a family sedan. But it drives like a car designed for the more sporty among us.

If reliability is anything like that of its smaller stable mate the Civic, then this and the economy make the Accord an excellent company vehicle.

It has all the credentials of a top-seller and can be recommended to anyone thinking of buying one of those larger "conventional cars".

The Accord is well equipped. There is a digital clock above the effective ventilation, heater controls. The instruments are clear and comprehensive.

A neat diagram incorporated in the main instrument binnacle tells the driver if any of the doors are not properly closed, or if a brake light has failed.

The large tachometer and speedometer are supplemented by an extensive array of warning lights for situations. There are also safety and maintenance indicators to tell the driver when to rotate the tyres and change engine oil and filter.

The driving position is good and visibility is in keeping with a car designed for safety.

The seats are comfortable (but there are better ones around). They lack full-cloth coverings but have inserts to give a limited semblence of quality.

The back of the front seats include nifty magazine racks and even the ashtrays are illuminated at night.

Driving the Accord is easy and enjoyable. The gear change is slick, uncommon in front wheel drive set ups and the steering very responsive. In cornering it maintains good grip and is stable with body roll limited.

Overall it is in the same class as Sunbird and Cortina.

Engine performance is strong, although not quite up to the 2 litre class. The five-speed gear box improves the flexibility and contributes towards the Accord's good economy.

Engine noise is one feature that should receive some attention, but overall the Accord could well be described as one of the better designed cars available on the local market and definitely the best in the medium size.

Distinguished career

AS a man who has enjoyed a lifetime association with athletics, Harold Austad appropriately displays marathon qualities when it comes to giving service.

He was a top administrator in both rugby and athletics for several decades before he concentrated his attention on the New Zealand Olympic body which he has served unbrokenly for 51 years and for some years now as its president.

But even this record is eclipsed by a business career spanning 58 years with one company. When Austad stepped down last month as chief administrator of J Ilott Ltd, it marked the end of an epoch for the company.

Ilotts began in 1892 and with Charles Haines agency, could be said to have founded the advertising agency business in this country. For almost half of its existence the firm was under the direction of Austad.

Young Harold Austad had visions of becoming a civil engineer and joined the then Public Works Department when the Stratford-Te Kuiti railway line was being built.

After two years' service and a transfer to Wellington, he realised that the department could offer him only a clerical career. So, with accountancy qualifications earned by night-time study, he secured a position in Ilotts accounts department in 1921.

Five years later, with a commerce degree in sight, he moved over to the client contact side as an accounts executive. Ten years later he was general manager.

As a company, Ilotts showed a degree of enterprise not particularly characteristic of the thirties. It owned an agency in Sydney and in the mid-thirties joined with George Patterson, who had broken from the Catts-Patterson company to form the Patterson agency. Sir John Ilott was a member of the board until Ted Bates was bought into Pattersons some 30 years later.

Now, by a curious quirk of history, Pattersons have a 40 per cent share of Ilotts. Those who are critical of overseas invasion of New Zealand agencies better remember the Kiwis started it.

Austad sees the growth of advertising in perspective. "In my early days, advertising was suspect," he said. "The power of advertising was not known or understood. Only a limited number of people knew how to use it for profit. Others hadn't learned about it.

"In World War II, the Government made extensive use of advertising, for raising war loans, for morale reasons, for a number of specific purposes. So advertising became respectable.

"Government departments then started advertising on a regular basis. It was an important turning point as advertising emerged as an integral part of communications and industry."

ADMARK

Austad has also witnessed a quiet revolution in the style of advertising. "Early on, advertising tended to be fairly formal and in the nature of business information," he said.

"With the introduction of electronic media its character changed to a more intimate form of communication. Radio brought voice into the home then TV both voice and picture which were new, highly involving and effective.

"As a result the press began to reflect this informality. We saw greater use of bylines and hence more opinionative writing — a kind of close-up journalism. The various kinds of media interact and it all affects the style of advertising."

Austad was a leader in the formation of the Association of Accredited Advertising Agencies of NZ (the Four A's as it is more familiarly known). Its purpose was to give the industry some standing in relation to other bodies and organisations.

When it was formed in 1950, Austad was the first president and in this and other executive capacities served for more than 20 years.

"The industry is strong and vigorous today with a definite stature," Austad said. "We have friendly and orderly relations with all media. Between us, we have set acceptably high standards for the conduct of advertising.

"Before the advent of radio, we lived in a one-medium world and I'm afraid that the press, which was largely proprietorial in ownership, regarded all advertising as belonging to it by right.

"I can recall with some amusement that the day commercial radio began operation, the Wellington agents were summoned into the presence of the NPA for a please explain session. As time went on, press and radio learned to live together," reminisced Austad.

Woolies survives 50 years

OCCASIONALLY, private enterprise seems to do something right. By that we mean something that would escape the censure of even the most critical consumer organisation.

Woolworths, on the occasion of its 50th anniversary, produced a 56-page householder which was a hard-working compilation of "Golden Anniversary" specials.

In this it reproduced its introductory full-page advertisement which appeared in the **Evening Post** on October 3, 1929, with the prophetic headline, "The first link in the New Zealand chain of Woolworths bargain stores."

Right underneath this introduction was a panel headed "Woolworths Policy." As an example of far-sighted planning and steadfast adherence to a set of principles we reprint these simple ground rules.

- You serve yourself.
- Our staff is not allowed to ask you to buy. They wrap goods, give change and tender information.
- All our goods are openly displayed and priced for easy comparison. Compare with outside values before you buy.
- A cheerful money-back guarantee of satisfaction goes with every article sold.
- We stock only recognised standard qualities. Take for instance, one department (Toilet Goods), every item is guaranteed British Pharmaceutical Standard.
- You are not kept waiting at Woolworths. Cash registers are installed at every counter to ensure quick transactions.

To survive for 50 years in the hurly-burly of the New Zealand retail field is a feat in itself. To grow from one to 124 stores over the period is evidence of the ability to gauge and meet public demand.

Both survival and success owe a great deal to a simple policy clearly articulated and faithfully followed.

How many firms today promulgate a written policy to inform and assure their customers and to guide their own decision making?

Financial Times appoints agent

FOURTH Estate Newspapers Ltd, publishers of **National Business Review**, has been appointed New Zealand agents for the London **Financial Times**.

The company will soon begin a sales promotion drive for the world's most prestigious daily financial newspaper in an effort to boost its circulation in this country.

Fourth Estate has been talking to and developing a working relationship with the **Financial Times** over the past two years.

"There are many benefits for Fourth Estate from the arrangement," says NBR publisher Reg Birchfield. "We are pleased that they have agreed to become associated with us. They looked hard at other publishers in this country and opted for Fourth Estate."

National Business Review is also using some **Financial Times** feature material and there is a developing relationship between Fourth Estate's new Viewdata information service and the **Financial Times**, Fintel Viewdata company in Britain.

Fourth Estate will initially be selling **Financial Times** subscriptions in this country and hopes to develop the marketing of other **Financial Times** products.

The company plans a major direct mail campaign to promote the paper to top management.

"We know it's an expensive paper," says Birchfield "but it provides one of the most comprehensive round-ups of world business and other news that New Zealand executives can't really afford to ignore anymore, particularly with all the emphasis on developing exports now."

"The days when new Zealand companies could operate without knowing what was going on everywhere else in the world are over. Up-to-date international business information is vital to good management.

"We see our tie up with the **Financial Times** as part of a deliberate policy to offer more and more information services to New Zealand business."

Commission ranks nations on resource basis

by John Draper

CONVENTIONAL *economic* thinking can no longer cope with the world's problems, says the Commission for the Future.

A new approach to combat protectionism, recession and possible military conflict that will otherwise be inevitable in the next 30 years is needed, the commission says.

In the third of four booklets in the "New Zealand in the *Future World*" *series*, "International Regulations and Opportunities" it says the shifting balance of power and the unsatisfied expectations of less developed countries no longer can be solved by existing economic concepts.

And it proposes dividing the globe into four, rather than three worlds, so resources and benefits can be better analysed.

"*Rankings based on purely* economic factors such as per capita income and gross national product are becoming less relevant and less adequate to define the place of nations in the international hierarchy," the commission says.

By using two criteria — income and resources — it is possible to distinguish between the overcrowded extremely vulnerable economies of north-west Europe *Japan and the resource-rich* economies like the United States, Canada, Australia and Scandanavia.

Similarly, potentially wealthy developing nations like Argentina, Venezuela and Brazil can be grouped apart from the overcrowded poor *such as Bangladesh, Pakistan* and Ethiopa.

The commission admits that classification by resource base is "a *complicated matter*" and opts for measuring per capita income against population density.

The four new categories taking over from capitalist, socialist and less developed — the third world — are:

- Developed countries with extensive resources and low population. The United States, Russia, Scandanavia, Australia, Canada and New *Zealand are among that* group.
- Crowded developed countries become the second *world comprising Western* Europe, Japan, Eastern Europe and Bahrain.
- Less developed countries with extensive resources and low populations like Brazil, Mexico, Malaysia, Cuba, and Egypt become the new third world.
- The poorest of the poor, the crowded countries with few resources per capita, are the fourth category — Taiwan, North and South Korea, and Bangledesh.

The commission justifies New Zealand's position in the top quarter, citing the vast wealth of untapped resources per head.

"The mix of resources available to us in an enviable one *and provides a favourable* foundation for an effort to reshape our economy and the way we live," it says.

"Moreover, *many of our* resources are renewable if husbanded carefully: it is unlikely then that if we pursue new directions we will gain merely short term benefits".

The commission says there are three options available:

- Self reliance emphasising high-value, small-scale *products using skills and resources* for export as well as our own use. That course will take us nearer to the top of the world league.
- Industrialisation, making the best of our vast energy resources using imported capital and technology. That course would take us closer to Western Europe, the second world, and therefore more vulnerable to international crises.
- Self-sufficiency, unless a stride towards Bangaldesh is contemplated. New Zealand would put its own resources to best use, generating capital from tourism and food exports.

The categories are not mutually exclusive, the commission says.

Trade will remain an essential, though new export *markets should be prudently* developed with regard to the degree of dependence on them.

"*Inevitably we shall have to* trade with new nations exhibiting diverse characteristics, customs and needs which are not necessarily the same as those of our more traditional markets," the commission says.

"Blind belief that the world will buy what we produce is a suicidal course," the commission warns.

Turning the spotlight on New Zealand's place in a future world, the commission opens the chapter with a globe showing "The New Zealand Hemisphere" — predominantly ocean.

The southern third of South America, Australia, Antarctica appear as the land masses while Japan and South-east *Asia barely creep over the* western horizon.

ANZUS is our current security guarantee but it can be hardly expected to last more than another 20 years, the commission says.

Changes in the world order in the next 30 years will offer the opportunity for a more flexible relationship with the United States, the principal ANZUS ally.

This could place increased pressure on our access to America markets making it more difficult to argue that as a *loyal ANZUS ally, improved* access for agricultural products should be granted the commission says. Not that the *military* relationship has proved to be of much economic benefit to date.

"It is quite unrealistic to expect the United States to replace Britain as the guarantor of both New Zealand's future security and economic prosperity. Maintaining these expectations will only lead to later disappointment with the alliance relationship," the commission says.

Armed neutrality is dismissed as being too inflexible an alternative to a continued alliance with the United States, but the commission spends more time exploring non-alignment.

There would be problems. A self-sustaining defence force might be needed and there is the question of being allied to the "nuclear club" without a deterrent of our own.

The commission points out that the Pacific Basin is likely to dominate international life *in the next century, a force that* is already growing.

Australia will continue to be a major "if not crucial" component in decision making, the commission says.

But, the Australians *do not hold New Zealand in the same* regard, it says.

"If New Zealand wishes to maintain the relationship it will need to work *hard to* and find common purposes between the two nations. Certainly they are there to be found."

Relations with the South Pacific nations are well developed, the commission says. "But for the future much will depend on attitudes exhibited towards our Pacific Island neighbours at all levels and on the success of efforts *within* New Zealand to establish a true multicultural society."

Japan, Russia and the United States will remain as major trading partners, at least for the next 30 years, the commission suggests. South-east Asia, and China offer opportunities for the *skilled*, hard working exporter.

South America is likely to be of little interest, though opportunities are slowly opening in the Andean states

South Korea will provide a profitable market but "is highly vulnerable if conflict re-emerges in this flashpoint region".

The Middle East is also defined as "an area of prime international danger" because of continuing conflict between the super powers, the United States and Russia.

But the enormous wealth flowing into the region from oil revenue will make the region an important market.

"Efforts to improve New Zealand penetration into the Middle East will need dedication, skill and competitiveness."

To Europe, and the Economic Community's determination to squeeze New Zealand out of the butter market, the commission says "a pragmatic stance" must be maintained.

It points out that West Germany's interest in New Zealand and the South Pacific may provide an alternative link to the community.

Tax reform: the key to lifting farm output?

(Special Correspondent)

AN old complaint of farmers — that they pay too much in tax — could provide the answer to the problem of increasing farm production, and go a long way towards sorting out the country's balance of payments problem as well.

For more than a century, most people, regardless of their background, *have been* persuaded that the foundation of New Zealand's economy is agricultural production. Most people *also know* that a foundation has to be solid.

New Zealand's, and the Government's, problem is that available statistical information, coupled with expert opinion, indicates that the economy's foundations are on shifting sand. Policies are failing to produce desired results.

Throughout the 1970s, farming has been supported by the *shifting sands of subsidies*, and there the blame apparently rests.

Subsidies in various disguises have been the means by which politicians, using little imagination, have tried to offset the effects of rising costs on farmers' incomes.

Taxpayers' money has poured into an apparently bottomless pit. Human nature being what it is, farmers have grabbed at the handouts of the state.

Unfortunately for the New Zealand economy, the other side of the ledger sees no visibly-needed increased production which could overcome the prolonged balance of payments deficit.

Yet the imbalance must be overcome by agricultural rewards, unless the huge industrial investment from rich Arab oil countries, predicted by Prime Minister Rob Muldoon, will suffice.

Statistical proof of the failure to get increased production after years of *subsidy support, is contained* in the September issue of the Ministry of Agriculture and Fisheries' "Current Agricultural Situation Report."

The report says bluntly that stock numbers are increasing ever so slowly, and that last year's slaughterings of all stock was less than the previous year.

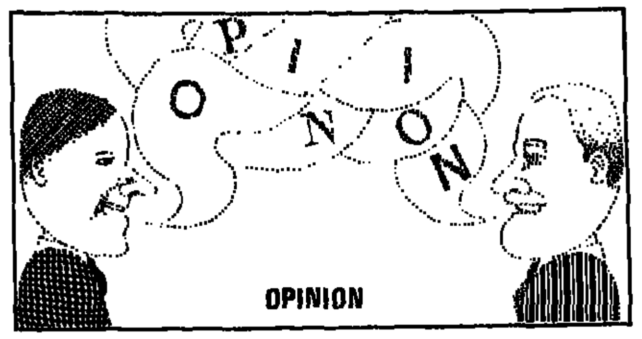
It seems appropriate to ask whether the farming industry has lost its drive through overdoses of the subsidy drug. This can easily happen.

Pertinently, the report of *the New Zealand Planning* Council task force, "New Zealand at the Turning Point", points out that during the 1970s, the price of New Zealand farm land has risen sharply and substantially above its productive value.

The selling of farms has become the means whereby profits can be extracted from farming. This is distinctly unhealthy and is a direct result of the subsidy policies.

Thinking farmers realise this serious state of affairs will not be tolerated by the *taxpayer indefinitely*.

A new policy approach which will strengthen the foundations of farming, obviously needs urgent examination.



Questions that now have to be posed and answered include: Is there an alternative approach, and is it practical and acceptable to farmers and to the community as a whole? Could such an approach be implemented? What and where are the likely stumbling blocks?

The first aspect that must be examined is principle. The principle of profitability *seems to loom large as the one* which could open the door to increased production.

There is an old business axiom stating that production will follow profits. If that is used as a guide, then it becomes a matter of making farming more profitable, and determining how that affects the individual farmer.

Like any businessman, the farmer sees profits as being the money left in the hand after tax. And there lies the nub of the matter.

So many farmers for years *have complained that* extra effort, and therefore extra production, is not worthwhile because of New Zealand's tax grab.

In a nutshell, the huge potential for increased production from the farmlands is not being realised because taxation is acting as a disincentive.

If that used to be accepted as fact, an alternative approach to the problem of stagnating production, lies in providing incentives through a more enlightened taxation system.

This would require detailed consideration at all political levels from the Government down. Both major political parties said in their 1978 election manifestoes that they had a commitment to *encouraging farmers to increase* production.

National said one of its objectives was "to encourage *farmers to exploit the untapped* potential for increased production".

Labour said that through a radically different method of farm taxation, there would be an increase in the rewards to farmers who increased *production*.

The Planning Council has similar thoughts. In its publication, "Planning Perspective 1978-83", the council said that an adventurous policy of encouraging the farmer into an enterprising individual could be achieved through taxation methods applied to the land and its potential.

The Labour Party has promoted an idea first put forward many years ago by Professor Wilfred Cundler, who strongly opposed the disincentive effects of progressive taxation.

Professor Cundler advocated a careful study of alternative tax systems based on taxing the land. That was the farmers only tax liability. It was known as the factor tax.

There has been opposition to this concept, however, mainly because *it contained* penalty provisions. That a farmer should pay tax on land whether the profit justified it *or not, contained* little appeal.

But there is no reason why the principle involved should not be examined again — minus the penalty provisions. Looked at from the positive side, the concept provides the means whereby an incentive *of less tax on increased profits* from increased production can be achieved.

Those politicians who see New Zealand's future economic health as coming from massive industrial capital investment associated with energy, seem to believe that farming has failed to respond as required, and *alternatives* must be found.

But farming can respond, given the correct incentives to make it profitable. Such incentives would also be more popular politically than selling our energy resources to overseas interests.

Professor Kenneth Cumberland, a long-time supporter of New Zealand's agricultural industry, said in an article in the 1980 edition of **"The New Zealanders"**: "Given increased profitability on traditional pastoral farms, there is still a great deal of room for increased production".

He also said: "We haven't yet — after barely a century of use — more than scratched the surface of the agricultural potential of this country's land, soil and climate. We haven't had to. Now we must".

New Zealand has everything to gain and nothing to lose from adopting a new approach to encouraging increased production.

But it should be noted by those in places of influence that a new approach will not develop itself simply because it is needed.

DSIR tackles manufacturing

DR George Stuart of the DSIR firmly refutes suggestions that "The Problems and Expectations of Manufacturers" is a negative study.

The approach is positive, with the objective of constructing a long overdue information base for industry, he insists.

"We cannot give any answers until we identify the existing problems," he said.

"The DSIR is trying to identify the strengths and weaknesses and the character of industry so that it can be of maximum assistance."

"No one can understand where we are going if we do not know where we are".

There are two approaches to manufacturing.

"We can make widgets because everyone else is making them but we will not necessarily be any better than they are", Stuart said.

"The other approach is to look at the structure of manufacturing, determine what it can do best, then identify the markets it can supply".

The DSIR already offers a range of services to industry, though manufacturers claim they are not publicised sufficiently.

An industrial liaison service assists with technical problems for both large and small companies either through the DSIR's own resources or by finding another manufacturer that can help.

Other services include product calibration and acoustics testing.

In Wellington recently the DSIR hosted a Commonwealth Science Council conference on metrology — the science of measurement important for quality control — for the Asia and Pacific region attended by 16 nations.

Another example of the DSIR support for manufacturing.

Stuart and Keir's paper evolved from an earlier study of the metal finishing industry which had been singled out because of developments in their technology.

Twenty firms were investigated, ten of them had consulted the DSIR on problems in the past and regularly used a specialist information service.

Stuart discovered the differences were wide.

The ten using the DSIR information service set up for the industry had a greater perception of the problems encountered. They also understood their technology better.

The non-user group had a lower perception of problems.

"When they had a problem they adopted a firefighting approach," Stuart said.

"If those differences existed in a small industry much as the metal finishing group what were the differences in the rest of the industry?" Stuart said.

Aided by sociologist Marie Keir, he set to work to find out.

Stuart is bringing scientific research and problem solving techniques down to earth.

His interest in the business world began with a Rotary scholarship to Japan in 1973 which he used to make a comparative study of inventions development.

On his return, Stuart studied business administration at Victoria University and then specialised in technology development in manufacturing.

He has been invited to West Germany for a year to make a comparative study of support for small and medium sized innovative companies.

The survey results are being explored in greater depth and the research extended to look at productivity and technology.

Keir, in particular, is studying the sociological impact of new technology, specially electronics.

Stuart is already examining what effects technology might have on productivity and a mechanical robot owned by the DSIR is already being lent to various manufacturers for short term pilot studies.

Self-satisfied manufacturers threaten export future, survey shows

by John Draper

SELF-SATISFIED, ambivalent manufacturers are threatening future exports with their contentment.

Preliminary results from a survey of "The Problems and Expectations of Manufacturers" show that most are more than satisfied with their products.

But they have a love-hate relationship with Government.

Regulations are viewed as one of the major problems of business. Yet manufacturers expect the state to take responsibility for a wide range of functions normally considered the preserve of private enterprise.

The practice of exporting surplus domestic production is no longer valid, a point seized upon by Kenneth Simmonds, formerly of Wellington and now Professor of International Marketing at the London Graduate School of Business Studies.

Marketing is about beating the competition, he said recently in Wellington.

Exporters could no longer rely on second-hand information about markets. They had to find out for themselves if they wanted to win.

The problems and expectations are worrying DSIR researchers, Dr George Stuart of the Product Engineering Section of the Physics and Engineering Laboratory and Marie Keir, a sociologist.

"This orientation towards dependence on Government and the limited appreciation of the need for quality in products does not augur well for success in overseas markets by the bulk of manufacturers," Stuart and Keir conclude in the preliminary survey report.

"Clearly more than financial incentives are needed to achieve success against international competition. The observations do suggest that varied assistance programmes to increase product quality and also the level of technology may have more than a direct effect on the competitiveness of products.

"In addition, such programmes are likely to increase productivity, reduce labour problems and help generate a more private enterprise orientated industry that is less dependent on Government.

"Above all, in the long term the most beneficial assistance is that which helps the manufacturer to help himself".

Two thousand manufacturers were selected at random from the national business register over 10 industries.

Discounting those that were not engaged in manufacturing or had since gone out of business, a 54 per cent response rate was achieved.

Stuart and Keir emphasise that their findings are only what the manufacturers have revealed about themselves through the questionnaire.

The purpose of the survey was to identify the strengths and weaknesses of industry relative to the objective of manufacturing for export

Responses were sufficient to be regarded as representative of each industry group, though overall the distribution under represented companies with six to 20 employees and over represented the very small and very large firms.

The average size of company engaged in manufacturing has increased steadily from 21 people in 1956 to 31 people 20 years later, and the sector as a whole employs a quarter of the labour force

As might be expected newer firms are smaller than established manufacturers but there is no relationship between size and exports

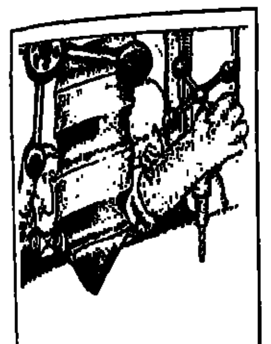
Only 28.5 per cent of survey respondents are involved in exporting, and the majority only in a small way.

Sixty per cent export less than 10 per cent of output

The most export-orientated group is food processing where 64 per cent of firms export more than 70 per cent of their output.

Several important correlations are apparent. Larger firms tend to consider they operate at a higher level of technology and have a higher perception of problems specially those of quality control and productivity.

Topping the problem charts are "increasing costs".



More than two-thirds of those surveyed considered it to be a moderate or great problem. Large companies find it more of a problem than smaller operators.

Second spot was taken by "Government regulations", which are of increasing concern to larger companies — specially in the primary food, other food, textile/clothing, chemicals/petroleum and paper industries.

Bottom of the list was coping with clerical work and the management of employees.

Productivity and quality control were ranked as only moderate problems.

From the survey, more than 70 per cent of manufacturers are more than satisfied with the quality of their product. The main reason given is "customer acceptance".

The smallest companies are more self satisfied than larger ones, and 42 per cent claimed to set minimum standards by customers requirements.

"Customer acceptance" can cover a wide range of research and omissions. It can mean that a manufacturer has done the market research, found what product the potential customers want and then made it.

Alternatively, it can mean that the customer has no choice. The manufacturer has made a product which is protected from competition by import licencing and tariff controls.

Stuart and Keir found a manufacturer's perception of product quality appears to be related to the problems he experiences.

"As a manufacturer's level of satisfaction with quality rises, he expresses less concern with quality control, productivity, labour and technical problems.

If this lessening of concern is directly related to problems experienced, then efforts to increase product quality should have wide ranging benefits".

Almost one third of manufacturers had contacted the DSIR for help with problems, specially engineering orientated companies.

Respondents felt that the DSIR should advertise its services more widely and staff visit manufacturers more often.

One of the most interesting questions was to ascertain from manufacturers where the boundaries between Government and business responsibility lay.

Replies indicate that manufacturers consider internal operations clearly a matter for themselves and in the business category. But as operations involve more external contact, though still the role of business in most other countries, there is a greater desire for Government participation.

Larger companies tend more toward private enterprise than small companies, which tend to seek Government assistance for the licensing of technology, market research, plant purchase and raw material supply.

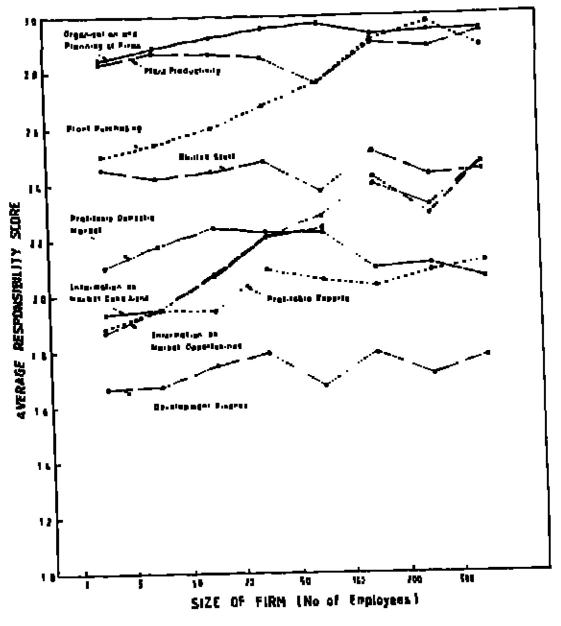


FIGURE 2

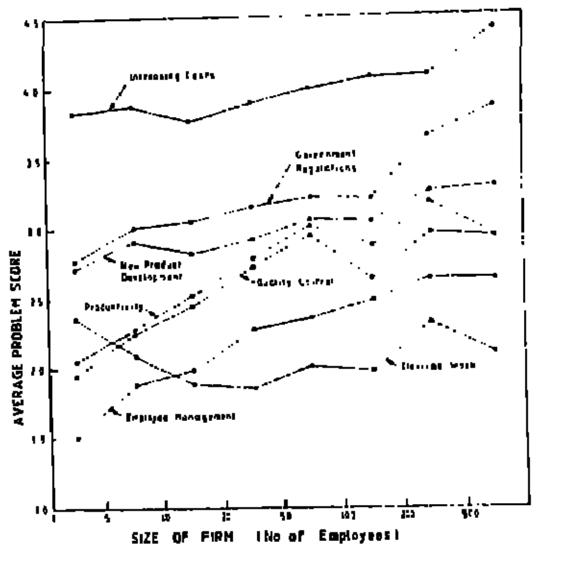


FIGURE 1

"Junk" label draws fire

I was concerned at an article in your October 24 edition which groups all newsletters as "rip-offs" and one of them which is promoted by mail as "junk". Although I believe this latter was not referring to us, how are your readers likely to respond to our current mailing of over 18,300 pamphlets?

One section of the article lists a sentence from one of the ads that we have used in NBR and continues to say that, according to media oracle, Bob Jones, our journal is not as good as we claim it is.

I cannot find the name of Belinda Gillespie on our mailing list. Has she ever read our newsletter? Or have we been blindly grouped with political commentaries and financial tip-sheets for the naive? We are neither of these. (And neither can I find 'media oracle' , Bob Jones on our mailing list).

I would be quite happy to send Ms Gillespie samples for appraisal. Then if she still classes us as a rip-off I cannot object to her saying so. But I feel "The Small Business Letter" deserves the chance to stand alone as a management information newsletter.

We have been well received by our subscribers. We have many unsolicited letters of praise on our file. We do not cater to a "gullible public". Our price is not 'too high' (being $5 per annum, cheaper than the opening paragraphs list as 'cheapest').

We do not exaggerate our claims. Newsletters cannot be clumped together any more than can newspapers.

Our newsletter offers exclusive information gleaned from many expensive sources. Our writers attend seminars, read reports and journals and condense this information to readable, concise articles that save time for our readers.

We are in a separate field and appeal to a different reader to many of our competitors.

Our integrity, honesty, product, advertising and subscription rate have never been questioned, nay slammed, by an unfair article.

John Ward
Manager
Small Business letter

LETTERS

OUR article did not say that all newsletters are "rip-offs" (after all, one of those mentioned is published by the Fourth Estate Group). It did say that newsletters vary from "a succinct summary of the latest on trade and politics aimed at the top end of the market to tip-sheets for the financially naive at the bottom".

Bob Jones' remarks were levelled at newsletters generally, not at any specifically — and should be considered only as his personal opinion on the subject.

Our list of newsletters showed your product to be the cheapest of the fortnightlies, (some at $45 are produced weekly).

None of the specific mentions of the Small Business Letter in our article — at least in our view — could be or should be construed to question the integrity, honesty, product, advertising and subscription rate of the Small Business Letter — Editor.

Newsletter error

REGARDING your recent article on newsletters, I would ask that you correct at least one error. The Main Report (and its sister weekly publication The Main Agricultural Report) is published by The Main Report Publications Ltd, 215 Gloucester Street, Christchurch, and not by Bowden Publicity as stated. Perhaps if an interview had been conducted before the article was written, the error would not have occurred.

D Wasley
Editor
Main Report Publications.

Development Bill

YOUR Economics Correspondent complains (NBR 31 October) of a "deafening silence" from the Planning Council on the National Development Bill. It must be difficult to hear if one is locked alone with one's prejudices in a soundproof room. Those who are shot at during your correspondent's forays from this enclosure cannot directly penetrate the bulletproof cloak of anonymity which he/she dons. Accordingly, could you please advise hi(r)m that there is a modern device called a telephone, which can be used by intermediaries. If one had rung the council, we could have advised (a) that some of the issues inherent in the Bill were discussed in a council publication on energy developments which we released during the week and (b) that, following a council meeting, I would be making a statement on the Bill to the Select Committee.

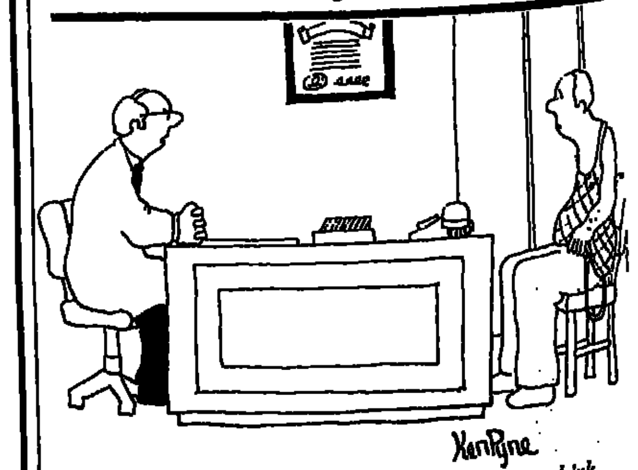
I am happy to say that most of the journalists who wish to write about us and our work do follow the normal practice which readers would expect of a visit or a call to collect relevant information and comments before they write.

Frank Holmes
Chairman
New Zealand Planning Council

THE National Development Bill was introduced into Parliament by Bill Birch on October 5. Although Birch is the Minister attached to the Planning Council, the Bill undermines many of the things the council claims to stand for in its reports. Yet the council took nearly a month to make a cautious statement to that effect, (and its statement was made after NBR had gone to press with its article).

In particular, the Bill impairs the Planning Council's already limited power to recommend priorities on development programmes and to act as a focal point for a process of consultative planning about medium-term development. And, by streamlining the planning process, the Bill upsets the council's ideal that the planning process involve as many people as possible.

The anonymity of our correspondent should make no difference to the council's ability to argue those issues strongly in submissions to the Select Committee. Nor do we accept that a commentator's job is to find out what the council would do if asked. Rather, it is to comment on what in fact the council has done (which, at the time of writing, was nothing that the public could see).
Editor



"Mister Bennett, you're overweight, you drink too much, you smoke too much and you don't get enough exercise—so you may be unfit but at least you're normal."

Food mission sees new trade opportunities with US

by Belinda Gillespie

THE American and EEC markets for processed foods are "fierce and unrelenting" but the skilled and innovative exporter can still find his niche.

Trade and Industry's Export Opportunity Team has been to cities throughout the United States of America, Canada and Europe, to identify processed food markets with which New Zealand could compete.

The mission went to find facts, not to sell, and reviewed a range of products rather than studying particular areas in depth. It has come back confident that aggressive marketing of food products could dramatically increase our export receipts.

The huge American market – 220 million people enjoying a relatively high standard of living – looks like an exporter's dream come true.

But without proper planning, it can turn into a nightmare, said the team's 218-page report, "The Market for New Zealand Processed foods in North America and the EEC".

Exporters who can't produce goods which meet the agreed quality standards, deliver them on time, and assure a continued supply, would be better off selling close to home rather than in the sophisticated and demanding European and American markets, the team advised.

The emergence of the "super store" in the United States has caused the total number of food retail outlets to decrease.

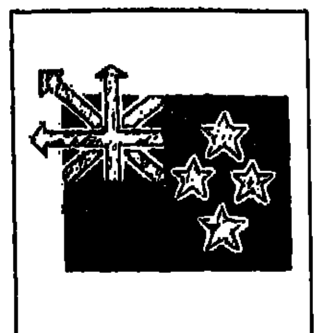
Each store takes the place of up to 20 supermarkets, and draws in customers from an area of 12 miles around, (compared with the two miles travelled by the usual supermarket customer).

If the trend continues — one survey estimates that half the supermarket business will be held by the super store in a few years — the quantity requirements will increasingly put them outside the scope of New Zealand manufacturers.

In France, on the other hand, the retail and wholesale trade is characterised by a lack of concentration. Most grocery sales are through supermarkets and hypermarkets, but meat, bread, fruit and vegetables generally are sold through small shops.

The Export Opportunity Team (EOT) has analysed these and other features of wholesale and retail trade in the markets visited, and outlined the structure of import channels in each country.

Opportunist food processors who want to expand their exports could take advantage of some major trends in the food industry in both North America and Europe, the team suggests.



OVERSEAS TRADE

More people are eating away from home. If they are preparing food for themselves, they want greater convenience – particularly in the United States, where there is a trend to microwave cooking.

An interest in natural foods, and greater concern about nutrition are also marked among overseas consumers.

What are the implications for New Zealand? Fast food outlets want food processed as portion control meat cuts, reformed meats, battered fish, or sometimes as the complete dish.

Frozen convenience meals including soups, main fish or meat dishes, and desserts, have grown out of the old "TV dinners". Such meals have to be packed so they can be reheated either in microwave or convection ovens, and must be prepared and labelled with microwave cooking in mind.

Health and organic foods have "settled down" to a small but significant sector of the food market in all the countries the EOT visited.

The trend for natural and additive-free foods is expected to grow, and is one where New Zealand could cash in. We are regarded overseas as a country that produces natural foods in an unpolluted environment.

Lobbyists in the United States are campaigning for the improvement and disclosure of the nutritional value of foods, and there is growing interest in Europe.

New Zealanders looking at food exporting will have to consider the growing trend to nutritional labelling, the use of less sugar in products, the possible promotion of our beef as low in fat (compared with North American beef), the poor nutritional image of lamb with a high fat cover, and the potential of fish as a low-fat high protein food.

Cheaper food products have been in constant demand by retailers over the last 20 years, with the resulting introduction of "generic" (no brand name) products.

The low profit margins on the cheaper foods had caused manufacturers to turn to the other end of the market at the same time, with the introduction of higher priced, gourmet style products.

Manufacturers realise that the total food market is not increasing, and bigger returns can come only from higher quality and higher priced products. The top end of the market, should be particularly attractive to New Zealand producers, because of their small scale and their needs to cover transport and duty costs, says the EOT.

A hundred pages of the report spell out the general possibilities for specific foods in the markets visited.

Fish, in particular is emphasised.

Beef, lamb and other meats are also examined, as well as honey, vegetables and fruit. A wide range of made-up foods – including baked goods, icecream, seafood patés and soups – is considered.

Having identified his product and its appropriate market segment, the exporter has to fight his way through the red tape of regulations governing all aspects of food, from its production through to its sale. The detailed requirements of each country are generally available from the Department of Trade and Industry.

Suggestions for appropriate insurance cover, and information on the tariff structures in the United States, Canada and the EEC are given in the EOT report.

Exporters must support the entry of their product into competitive markets with a "balanced promotional programme" – and export incentives such as the Export Programmes Grants Scheme – should encourage them to do so.

Promotion or not, exporters should not expect to make money for the first few years. It takes considerable time to penetrate the market – the EOT was told by a mjaor American company which had just released a new range of Chinese frozen foods that 10 per cent of the sales budget was spent on promotion, and that it expected to lose money for the first two years.

A New Zealand food centre in Toronto, Los Angeles or San Francisco, along the lines of those established by the Germans, Swiss and Danes in London and elsewhere, would increase awareness and acceptance of New Zealand foods.

The EOT considers also that there would be advantages in a common symbol for use on New Zealand food products with associated promotions emphasising the country as a producer of quality natural foods.

New Zealand has failed to establish its reputation as a supplier of processed foods, according to the EOT. Apart from lamb, butter, kiwifruit and apples in some of the markets, they found little evidence of New Zealand food of any type at the retail level.

.Most of the country's exports continue to be directed at the bulk/commodity market rather than the retail market.

New Zealand exported cheese to the value of $22 million to the United States last year, but the EOT saw no cheese promoted or shown as a product of New Zealand on retail shelves there.

In conclusion, the team states:

"To build a reputation, to obtain the maximum return for our food exports, and to minimise the effect of the quantitative restrictions which apply in many countries on our major agricultural exports, we must concentrate more on our retail market and endeavour to obtain more direct access to the consumer".

PINZ attracts top two

(by Peter Isaac)

THE Plastics Institute has organised its own double-banger for its conference day on November 21.

Trade and Industry Minister Lance Adams-Schneider will address the morning session. In the evening Prime Minister Robert Muldoon will make the keynote address and present the annual PINZ awards for manufacturing excellence.

Both addresses will represent more than the normal window-dressing style of address that usually takes place at this type of conference.

The presence of the two top politicians indicates the way in which the plastics industry bounded back in the last half of this year after an appalling economic outlet at the beginning of the year.

The industry's trump is its commanding presence as an employer of unskilled and semi-skilled labour at a time of deepening concern over employment.

ROB MULDOON ... kind tax treatment.

But one of the questions likely to be raised at the conference will be the precise nature of the Government's intervention in the petrochemicals field.

The industry received something of a shock several months ago when a leaked document from Petrocorp revealed an intention for the state to invest in a PVC plant.

PVC by a substantial degree is the biggest single plastic raw material used in New Zealand. Among the major applications — roofing and pipes.

This surprised the industry because for four years there has been a solid proposal by B F Goodrich in conjunction with the Auckland Chemby Industries group to build a polymerising plant in New Zealand, using imported polymer.

When this proposal surfaced it did not exactly send the rest of the industry jumping into the air with joy.

John Mason, the general manager of Winstone Plastics, the biggest single PVC user in the nation, claimed that a domestic polymerising plant would increase PVC prices by 40 per cent due to protection of the local industry.

John Mason's comments are all the more interesting now because he is due to be installed this week as the new president of the Plastics Institute.

Manufacturers at the meeting will also be apprehensive about the future of their own product protection.

Plastics manufacturers have not felt entirely at ease with a National Government.

They are uncomfortably aware of the angry Federated Farmers clamouring for unrestricted importation of plastic goods from such areas as Taiwan and South Korea.

Even so, in the last five years these nations have gradually begun to lose the keen edge of price competition.

But the plastics men will still be looking for a sign that the Government will continue to offer them shelter from rival imported substitutes.

For his part Trade and Industry Minister Lance Adams-Scneider will be expected to deliver some concrete details about the true state of NAFTA agreements. He may also be questioned on the status of import substitution as an overseas currency earner.

In the background both politicians may hear muffled complaints from the associate member machinery vendors about the 10 per cent sales tax on machine tools.

The local manufacturers have shown themselves adept at quickly applying the latest machine tool technology, including closed loop automation. But the 10 per cent is just one more cost to dull their competitive edge.

There will be a certain amount of goodwill between the members and their leader on this occasion.

Muldoon has dealt fairly kindly with the plastics industry in terms of indirect tax on finished goods. He has been most kind on import protection.

Muldoon has also ensured that consumer spending money keeps pumping steadily into the domestic economy.

Super-generous incentives to farmers meanwhile have been partially responsible for high spending out on the farm.

Meanwhile, the manufacturers themselves have worked hard for, and reached gratefully for their own export incentives largely inspired by Muldoon.

PVC levels out near $1000

PVC prices are stabilising at the $900-$1000 a tonne mark.

Gerald Krynen, managing director of Techni Chemical Industries, says that this price will hold through the first quarter of next year.

Even so this is not encouraging. At the beginning of last year there was a world surplus of PVC and New Zealand manufacturers were virtually buying at cost at around $550-$600.

By February this year, the price moved steadily upward to $750 and $800.

There was much fear even last month that the price in New Zealand would crack the $1000 mark.

New vacuum sealing method

A SWEDISH vacuum packaging system using laminated polythene film is so futuristic that it makes all other methods look old fashioned in comparison. Under the new system the clothing is compressed to reduce its bulk by 80 per cent.

Central to the system is the in-built memory of the clothing fibres. These fibres are impregnated with "memory" about their true shape. They are then vacuum sealed inside the air-tight membrane of laminated polythene film.

The airtight membrane also protects the goods from transit damage and warehouse moulds.

When opened, the pack is sliced open and the exposure to air triggers the fibre memory and the garment automatically resumes its normal shape.

This unusual method of transporting clothes took nine years to perfect. The patents are held by Eskderm AB of Sweden.

Acrylonitrile health hazard

THE United Kingdom's Health and Safety Commission has recently issued a policy statement on the exposure to acrylonitrile extract.

The commission now accepts that exposure to low levels of acrylonitrile is "proving to be carcinogenic in experimental animals." In the light of concurrent epidemicological evidence which the commission says "supports rather than contradicts" the animal evidence, it considers it would be "prudent to regard acrylonitrile as a potential human carcinogen".

The commission agreed that exposure to this substance should be reduced to considerably below "the current threshold limit value" of 20 parts per million in air on an eight hour time weighted average.

The control limit should be reduced to two parts per million per eight hours by 1981 the commission recommended.

New language for plastics

THE plastics industry has a new language. A revised international plastics vocabulary has just been published by the International Organisation for Standardisation. The ISO has taken nearly 1500 commonly-used terms in the world plastics industry and defined them in English and French in the new vocabulary.

The objective is to eliminate confusion over the meaning of many of the terms the majority of which have come into use only in the past 30 years.

The 101-page International Standard was approved by no fewer than 38 member bodies of ISO.

Old-style sales pitch

WHEN it comes to selling Novaflo pipe the New Plymouth branch of Winstone's do not wait for buyers to come to them. Company representative Brian Williams drops his product right into the middle of the market place.

He takes three or four rolls of Novaflo on the back of his car trailer to stock sales throughout the region and then displays them in the most conspicuous place possible.

Armed with massive quantities of literature and samples Williams has become well known for his old-style sales pitch.

Leaving nothing to chance. Williams stands by the trailer display or walks around the yards with order book in hand.

Most stock and station agents in Taranaki are resellers of Novaflo and orders received are channelled back through them.

Experience demonstrates that these orders continue to come in perhaps six to eight weeks after the stock sale.

Williams' hard-selling approach at one recent sale created orders for five wagon loads of the plastic pipe made at Winstone's Palmerston North factory.

New glass for milk approved

TOP Milk Developments of Cambridge have made the only sight glass to be approved by the National Dairy Laboratory. It is a one piece sealed unit that requires no cleaning other than the conventional milking machine wash. It is especially suitable for reverse flow application.

Injection moulded, the two parts of the sight glass are ultrasonically welded together.

Grace launches barrier bag

W R GRACE this week will officially open one of the most important downstream developments in the history of New Zealand plastics technology.

It is the company's new $3 million barrier bag line. It means that Grace now manufacturers its own bags in New Zealand starting at the raw material stage.

Previously the sheet was imported.

The new barrier bag line is all the more important because it was brought here by Grace's New Zealand management in the teeth of stiff opposition from the Australian subsidiary of the American chemicals and packaging giant.

The Australians wanted all the barrier bag extrusion lines in their own territory.

But, cameras will not be allowed inside the new barrier bag plant at W R Grace's factory at Elsdon, Porirua. The barrier bag process is jealously guarded by Grace world wide.

Even so, visitors at the opening day will be able to take photographs of six or seven other packaging lines at the Porirua factory.

They will also be able to inspect closely some new developments in the field of vacuum packaging of meat portions — so essential to obtaining added value to carcasses.

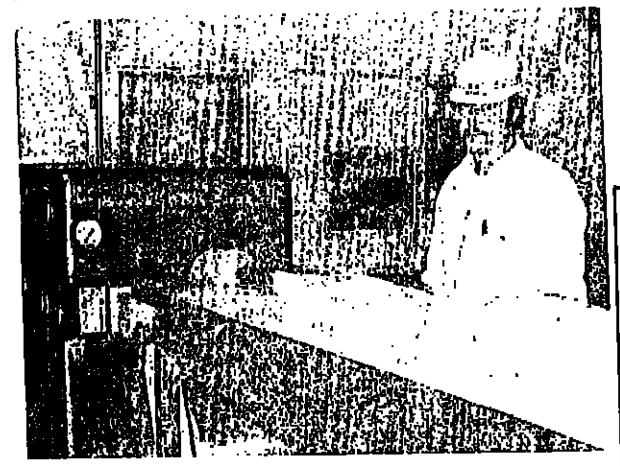
Grace will display for example the Betavac vacuum packaging machine which it will market in conjunction with the developers, Equipment Maintenance Co of New Plymouth.

The first tandem Betavac line has been installed at the Kiwi Dairy Co and it copes with 500 cheeses an hour at a rate of 84 tonnes daily.

Grace will also display their latest innovation in rotary chamber vacuum packaging.

The barrier bag line is being commissioned right on scheutle. It means now that Grace is entirely self sufficient beyond the resin stage.

Aside froms savings in overseas funds, the new barrier line gives the Porirua factory more direct control over the detailed formulation and manufacturing specifications.



GRACE. . . packaging in action.

Car parts skin packaged

SKIN packaging, generally associated with light products, has been successfully applied to heavy automotive parts. Jayco Engineering, of Upper Hutt, recently began skin packaging all its clutch assemblies including the clutches of 14 tonne trucks.

The skin packaging was tackled by the Wellington contract packagers of A Gyles and Sons.

Jayco's managing director, Mike Judd, chose the skin packaging technique because he wanted the reconditioned clutch plates to be completely waterproof in storage. At the same time he wanted the packaging stability of skin packaging.

Before venturing into skin packaging, which involves shrinking a layer of transparent plastic film around a product, Jayco had packed its clutch assemblies in heavy plastic bags.

Now all the clutch assemblies from Morris Minis to heavy Mercedes trucks pass through the skin packaging system.

The clutches are skinned on to high-strength cardboard specially prepared for Jayco by Giles and Sons.

"People told us it would be impossible to skin pack our products," recalls Mike Judd. "They said the clutch assemblies were just too heavy."

Now all the clutch assemblies from Minis to Mercedes trucks pass through the skin packaging system.

Judd says a significant advantage of skin packaging is that the customer can see precisely what he is buying. There is no doubt at all over specification.

MARK GYLES AND MIKE JUDD . . skin-packaged clutch plates.

Carter comes to Chrysler's aid

THE Carter Administration has asked Congress to approve up to $1500 million in loan guarantees for the Chrysler Corporation, which has suffered heavy losses this year.

The administration earlier had said that any Government support package would be considerably smaller than $1000 million.

But Treasury Secretary G William Miller said an in-depth analysis by outside consultant s convinced his department that the higher level of support was needed to be "more sure" of success in rescuing the corporation.

Miller listed several reasons to justify Government action:

- A sharp cutback in Chrysler operations would produce considerable unemployment and financial distress among Chrysler workers and those who work for the firm's suppliers;
- A Chrysler failure would entail costs for the Government due to tax revenue losses and unemployment compensation and pension guarantee payments;
- It is important to have a strong automobile industry able to meet American demand;

The industry will be more competitive if it has three major firms rather than two that would be left if Chrysler failed.

The American car industry is being forced to transform its output in just a few years from the vehicles of the past to those of the future, this transformation is costly.